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MONDAY SEPTEMBER 1 1997

The world grieves for Diana

Malaysian PM in new attack on IMF and speculators

Malaysia's prime minister Dr Mahathir Mohamad launched an angry attack on the IMF in a move which could further destabilise south-east Asia's financial markets. He also renewed his attack on speculators and his remarks – together with Indonesia's imposition of currency controls – are expected to boost selling pressure on regional currency and stock markets. Page 16; Asia-Pacific round-up, Page 8; S Korean bond issue, Page 17; Markets, Page 21

French unemployment move: French economics minister Dominique Strauss-Kahn said the 1998 budget – due to be unveiled later this month - might introduce tax deductions for firms hiring additional employees. Page 16

SFA plans to raise fines: Investment banks breaching Securities and Futures Authority rules may face fines of more than $1.6m under plans being considered by the UK financial regulator. Page 8

UN may act on Algeria: In a sign that the UN may play a part in ending Algeria's bloodshed secretary-general Kofi Annan said the world could no longer ignore the conflict. Page 5

UK export figures: UK export figures have still to reflect the extent of sterling's rise and could face an increasing squeeze in the year, according to analysts. Page 8

International bank lending soars: Fierce competition for new lending saw international syndicated bank lending hit a record $194.5bn in the three months to June, said the Bank for International Settlements. Page 17

France poised to liberalise internet use: France is set to liberalise rules on computer encryption technology as part of its efforts to encourage the internet's development. Page 5

Bundesbank rate rise unlikely: Pressures on Germany's Bundesbank make a rise its key short-term interest rates unlikely until October, economists and monetary observers said. Page 2

Endesa bid falls short: Spanish power group Endesa has failed to fully secure the $1.5bn stake it sought in Chilean-based electricity group Enersis. Page 17.

Mexico's Congress flexes its muscles: July's elections in Mexico produced strong opposition parties, and it is unclear whether President Ernesto Zedillo will be able enact key parts of his agenda. Page 4

Turkey cracks down on Iraq trade: Turkey is to crack down on illegal trade with Iraq to raise badly-needed tax revenues. For years Turkish traders have bartered consumer goods for cheap Iraqi diesel. Page 2

China link with St Lucia: China is to establish diplomatic links with the Caribbean island of St Lucia after it broke ties with Taiwan. Page 4

Clinton trade trouble: President Bill Clinton has a week to persuade a hostile US Congress to grant him fast-track authority to make new trade agreements. But Latin American support is giving way to concern about the strings that may be attached. Page 5

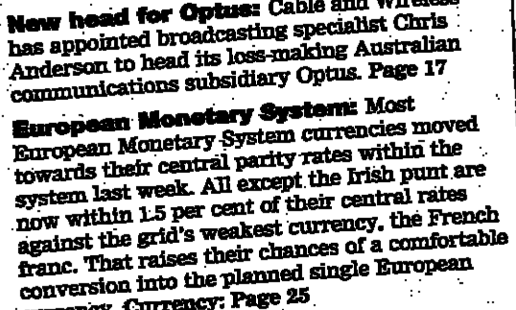
South Korean bond issue: South Korea is to test global market sentiment with a $750m to $1bn bond from the Korean Development Bank, the first large-scale offering since the country hit economic problems. Page 17; International bonds, Page 23

Ramos may seek second term: Manila's House of Representatives is expected to pave the way for constitutional amendments this week, as the debate intensifies on whether President Fidel Ramos should seek a second term. Page 4

New head for Optus: Cable and Wireless has appointed broadcasting specialist Chris Anderson to head its loss-making Australian communications subsidiary Optus. Page 17

European Monetary System: Most European Monetary System currencies moved towards their central parity rates within the system last week. All except the Irish punt are now within 1.5 per cent of their central rates against the grid's weakest currency, the French franc. That raises their chances of a comfortable conversion into the planned single European currency. Currency: Page 25

EMS: Grid Aug 29 1997



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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Tributes flood in as body is flown home from France

By John Kampfner, Chief Political Correspondent

The body of Diana, Princess of Wales, was flown to London from Paris last night after the car crash in which she died with her companion, Dodi Fayed, and their chauffeur.

Diana, mother of the heir presumptive to the British throne, died in the early hours of yesterday. The crash happened during a high-speed pursuit by the photographers she had often courted but came to fear.

Her death triggered an outpouring of worldwide shock and grief perhaps not seen since the assassination of John F Kennedy in 1963. It sparked debate about the behaviour of the media in general and paparazzi photographers in particular. And it raised new questions about the future of the British monarchy.

World leaders were effusive in their praise for the princess's work for charity and her crusade to ban land mines.

Prince Charles, whose 15-year marriage to Diana ended in divorce a year ago, flew briefly to Paris with her two sisters to accompany her body back to London.

An announcement on funeral arrangements was expected today, with preparations expected for one of the most elaborate ceremonies of modern times. In London and other world cities mourners flocked to pay private tribute with flowers. One inscription read: "The nation has thrown away a jewel more precious than its whole empire."

Within hours, grief was turning into anger for many. Earl Spencer, Diana's brother, said proprietors and editors of publications which had paid for intrusive pictures of his sister had "blood on their hands".

"I always believed the press would kill her in the end," he said. "But not even I could imagine that they would take such a direct hand in her death as seems to be the case."

Chancellor Helmut Kohl of Germany said the princess had been "victim of an increasingly brutal and unscrupulous competitive fight of a section of the media".

The British foreign secretary, Robin Cook, gave the strongest indication yet by the UK government that privacy laws might have to be strengthened. However Downing Street said further discussion of the issue was inappropriate for the moment.

Tony Blair, prime minister, said the British people regarded the princess as one of them. "She was the people's princess and that is how she will stay, how she will remain in our hearts and our memories for ever," he added.

US President Clinton said: "We admired her work for children, for people with Aids, for the cause of ending the scourge of land mines in the world, and for her love for her children, William and Harry."

Praise and condolences came from such diverse figures as President Nelson Mandela of South Africa, President Boris Yeltsin of Russia and Mother Teresa of Calcutta.

The death will re-focus attention on the eventual succession to the throne, and on Charles's future marital status. He had been keen since his divorce to raise the public profile of his long-time friend, Mrs Camilla Parker Bowles, although the possibility of a remarriage has bitterly divided public opinion.

Charles returned to Balmoral Castle in Scotland last night to be with his two sons and the rest of the royal family. Prince William, 15, is second in line to the throne behind his father, the heir apparent.

In Paris, police were questioning several photographers who had been part of a group on motorcycles on the tail of the princess and Mr Fayed when the couple's Mercedes hit a concrete post in a road tunnel by the Seine. The recent closer friendship between "Di and Dodi" had triggered a media feeding frenzy for photographs, intensifying the princess's barely-concealed anguish.

The manner of her death was made all the more gruesome by allegations that photographs of the mangled Mercedes in which she was trapped were being touted internationally for $1m.

A lawyer for Mohamed Fayed, father of Dodi and owner of Harrods, said he would bring a civil suit as soon as a judicial inquiry was opened into the accident.

The coffin bearing the body of Diana, Princess of Wales, is carried from a Paris hospital to be flown back to Britain Picture: PA

Death of Diana – reports, analysis, obituary, Pages 6 and 7. Editorial Comment, Page 15

Shocked Parisians make crash site a memorial to princess

By Andrew Jack in Paris

The late summer sun did little to dispel the gloom over the French capital yesterday as news spread of the death of Diana, Princess of Wales, and Dodi Fayed.

"What can I say?" said one smartly dressed woman waiting at the exit of the hospital La Pitié-Salpêtrière in the east of Paris, where the couple were taken after their car crashed late on Saturday night. "She was so young and beautiful, and at last she'd found a man. It's all so sad."

The traffic crawled past and several hundred people stood behind barriers nearby in an effort to witness the events as Lionel Jospin, prime minister, President Jacques Chirac and Prince Charles arrived during the day before the body of Diana was removed during the evening.

On the steps nearby, there were dozens of bouquets of flowers with handwritten notes attached, and a large poster with photos of the princess from the time of the royal wedding with Prince Charles.

Other flowers had been placed at the base of the statue of a golden flame, a replica of the torch flame on the statue of liberty in New York, which sits above the underpass by the Pont de l'Alma on the River Seine where the crash took place.

Groups of curious passers-by leaned precariously over barriers to catch a view of the site of the accident, marked by more flowers inside, and cars slowed down as they passed.

Journal du Dimanche, the national French Sunday newspaper, rushed out a modified edition covering news of Diana's death before lunchtime yesterday.

But no one in France who had tuned into a radio or television station during the day could have failed to hear of the accident. There were lengthy news reports and interviews

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Wang in line to buy Olivetti's Olsy unit

By Paul Betts in Milan

Olivetti is discussing the possible sale of Olsy, its large computer systems and services subsidiary, to Wang Laboratories of the US.

Olivetti yesterday refused to comment, but the struggling Italian information technology group has made no secret of its search for international partners to strengthen its core businesses as part of its recovery strategy.

Roberto Colaninno, the Olivetti chief executive, recently regrouped the company's systems and services operation into the Olsy subsidiary that manages and maintains large computer systems for public institutions, banks and other large entities. With annual sales of about L4,500bn ($2.5bn), it accounts for about half of Olivetti's revenues.

Several international companies are understood to have expressed interest.

But Wang, the former mini-computer manufacturer, which was reconstructed in 1993 as a software and services company, appears to have emerged

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German finance minister pledges to stay in office

By Peter Norman in Bonn

Theo Waigel last night acted to re-establish his authority as German finance minister, insisting that he was not tired of office, that he would continue in the job and carry out his duties with all his strength.

In an interview with Germany's ZDF television channel, Mr Waigel did all he could to reverse the damaging perception, created by an interview screened 12 days ago, that he had lost interest in the finance ministry after more than eight years in office.

Highlighting his determination to fight on, Mr Waigel signalled an initiative to reform Germany's complex and inequitable tax system and so to enhance the country's economic prospects.

Looking serious and determined, he said he would seek a step-by-step reform in a compromise with the opposition Social Democrat party, which is set to reject the government's existing tax reform plans in the Bundesrat, the second chamber of the Bonn parliament, on Friday.

Mr Waigel, who last month shook the ruling coalition by calling for a cabinet reshuffle, said he agreed last week with Helmut Kohl, the chancellor, that they should focus on policy and avoid public controversy. But the minister did nothing to end speculation about tensions inside Mr Kohl's coalition when he used the interview to warn politicians from other government parties not to stir unrest in the Bavarian Christian Social Union, which he leads.

The damage arising from Mr Waigel's call and Mr Kohl's blunt rejection of change was apparent in a weekend opinion poll commissioned for the ZDF and the Süddeutsche Zeitung newspaper which indicated a further erosion in government support. It suggested the coalition of Mr Kohl's Christian Democratic Union, Mr Waigel's CSU and the small Free Democrat party would win only 42 per cent of the votes in a general election, compared with 50 per cent for a coalition of SPD and environmental Greens.

The poll also showed Oskar Lafontaine, the SPD leader,

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Bundesbank not expected to raise rates this month

By Andrew Fisher in Frankfurt

The Bundesbank faces conflicting internal and external pressures which make a rise in one of its key short-term interest rates unlikely until October, economists and monetary observers said over the weekend.

Without an overwhelming case in favour of raising rates to combat inflation – now at the 2 per cent annual level which the German central bank does not like to see over-stepped – Hans Tietmeyer, the president, is expected to opt for further delay, they added.

This would also avoid embarrassing both the German government, battling with disunity and lack of success in implementing tax reform, and France. Both countries are beset by high unemployment and hesitant economic growth.

While a small rise in the securities repurchase (repo) rate, unchanged at 3 per cent for a year, would have little impact on the economy, it would have political repercussions. A rise in rates now could also lay the Bundesbank open to the charge of trying to sabotage European monetary union.

But the longer it waits, the smaller will become its window of opportunity to put up rates, economists argue. With Emu members due to be selected in May, a gradual rise in the repo rate to about 3.5 per cent will need to start early enough for adequate co-ordination of monetary policy to ensure a credible euro.

A repo rate increase before this month's International Monetary Fund meeting in Hong Kong would be regarded as insensitive, especially in view of the volatility of financial markets. But a rise immediately afterwards could make it appear the Bundesbank had succumbed to foreign pressure.

This takes the bank to October, by when it would also have more data on which to base a decision.

Mr Tietmeyer last week suggested the Bundesbank's concerns about price trends were not so serious as to prompt an early rate move. He said rises in import prices – partly influenced by the strong dollar – and other price components should not be dramatised.

Speculation about a rise in the repo – foreshadowed by a move to more flexibility in the weekly tender process each Tuesday – had been fuelled by the concern over incipient inflation expressed by Otmar Issing and Johann Wilhelm Gaddum, two senior Bundesbank directors.

Mr Issing and Mr Gaddum carry considerable weight and their comments suggest they would welcome a rate rise now. But a strong body of opinion on the bank's policymaking council – which meets this Thursday – feels the uncertain state of the economy does not warrant this. Prominent in this camp are Ernst Welteke and Hans-Jürgen Krupp, respective heads of the Frankfurt-based Hesse and Hamburg regional central banks.

"I have the impression that Mr Tietmeyer is sitting on the fence," said Thomas Mayer, German economist at Goldman Sachs. "But the doves have to realise that if the hawks can't deliver on interest rates, the D-Mark could again come under pressure."

The dollar eased last week after recently approaching DM1.90. Mr Tietmeyer expressed satisfaction at the fall – which eases inflationary worries – but said this did not reflect expectations that the bank would soon lift rates.

However, Hermann Remsperger, chief economist at BHF-Bank, worried the bank was in danger of doing "too little, too late". He said inflation could creep up to 2.5 per cent early next year. "The Bundesbank shouldn't wait too long – the nearer we approach the Emu decision process, the harder it will become."

Fall in construction sector spending likely to continue, Ifo says

By Peter Norman in Bonn

Germany's hard-pressed construction industry will fail to share in the country's economic recovery and continue in recession this year and next, at a cost of about 150,000 jobs, according to a leading economic research body.

Although the Munich-based Ifo economic research institute forecast that the sector's decline would slow, it predicted a continuing fall in overall construction spending.

Investment in building, which declined last year by 2.7 per cent, is expected to fall nationwide by 1.8 per cent this year and 0.7 per cent in 1998. While Ifo predicted that the recession in western Germany's construction sector would come to a halt next year, it warned of a continuing sharp decline in eastern Germany. It forecast that building investment in the new Länder (states) would fall by 3 per cent this year and 2.9 per cent in 1998 after 1.7 per cent last year.

The end of the post-unification construction boom in the east has already stymied the region's efforts to catch up economically with the west and is being reflected in a growing divergence of unemployment rates between the two parts of Germany.

The continuing weakness of the eastern German construction sector could add to tensions between the Bonn government and the European Commission in Brussels, which wants to curb the use of subsidies in the new Länder. It also casts an additional shadow over the political difficulties of Helmut Kohl's centrist coalition, which faces elections in 1998 in the eastern German states of Saxony Anhalt and Mecklenburg Vorpommern as well as at the federal level.

Ifo warned of further job losses in the western German construction sector next year despite the forecast stabilisation of activity. But eastern Germany faced a "further deterioration of an already precarious situation". While the number of jobless building workers had increased by 14 per cent in western Germany in the past 12 months, the increase in eastern Germany was nearly 35 per cent.

The institute said activity in western Germany had been hit by tax changes, which reduced incentives to build rental accommodation, and an oversupply of business premises. These negative factors had been only party offset by increased orders for single family homes, where low interest rates and Germany's slow economic recovery had stimulated demand.

The refurbishing of existing homes constituted one of the few bright spots in the east, with this activity being encouraged by low interest rate loans from publicly owned banks such as the Kreditanstalt für Wiederaufbau.

Slovenia's protected banks prepare to face the world

Institutions have survived transition from communism but must soon face real competition from abroad as barriers fall, writes Jack Grimston

As one of the countries expected to be in the front rank of European Union expansion, Slovenia is slowly preparing its financial sector for the radical shake-up expected to hit it as barriers to foreign competition are lowered.

While the country's 28 banks have mostly come through the transition from communism in good shape, their durability in the face of real competition is largely untested.

"It is still unclear what the impact of foreign competition is going to be," says Franjo Stiblar, chief economist at state-owned Nova Ljubljanska Banka, Slovenia's biggest. "Will foreigners come here in large numbers or is a market of 2m people just too small to be interesting?"

So far foreigners have made little impact. The four foreign banks with local subsidiaries have tiny market shares.

This is not entirely by choice. In its opinion on Slovenia's application for full membership, the European Commission identified freedom of capital movement as an area where the country needs to do "substantial work" to get ready for membership.

There are punitive restrictions on companies wishing to finance activities in Slovenia by taking out loans abroad. When these loans are converted into the domestic currency, the tolar, 40 per cent must be placed in non-interest-bearing accounts at the central bank. This applies for loans up to seven years; for longer credits, a 10 per cent deposit is required.

This is just one of a string of regulations which hold back competition. Foreign banks may not establish branches, and setting up a fully capitalised local bank is an expensive and bureaucratic process. In addition, a cartel agreement among the banks sets a ceiling on interest rates paid to depositors. There are no such agreements covering lending rates, which are falling only slowly and average about 20 per cent in nominal terms for a short-term loan.

Behind these regulations, Slovenia has gone about salvaging the once ailing bank sector without outside help. The two state banks, NLB and Nova Kreditna Banka Maribor, finished a rehabilitation programme in June.

Slovenia's 1991 split from former Yugoslavia almost brought them to their knees. In the case of NLB, some 23 per cent of its 1992 loan portfolio consisted of bad debts to Slovenian companies devastated by the loss of traditional markets.

Internal costs were high and the bank's assets in other former Yugoslav republics had been lost or frozen. As the new state did not have the financial resources to inject large amounts of new capital, it instead issued DM1.8bn ($980m) of bonds in exchange for part of the non-performing loans.

About a third of the loans remained in the banks, where a combination of rescheduling, debt-for-equity swaps and other measures were used to improve performance.

NLB has now reduced its share of bad loans to 4 per cent. This, combined with cost-cutting and highly conservative lending policies, helped it return to profit in 1994. NLB made DM62m after tax last year.

The end of rehabilitation clears the way for privatisation. But the timing and methods for this are hotly debated and no decisions have been reached.

Meanwhile some consolidation is now starting as banks try to grow to a size where they have a chance of long-term survival. There has been only one minor bank failure, last summer, but a few smaller banks have been taken over in the last few months.

Concentration is already greater than the number of institutions would suggest. The state banks together with SKB, the largest private bank and 49 per cent foreign-owned, account for more than half the market.

While the protection of Slovenia's banks has helped them survive, it also made for sluggish development of services. A recent report from the Organisation for Economic Co-operation and Development said: "The financial system is still shallow in comparison with OECD and other central European countries."

A new banking law should kick-start the process. It will probably pass early next year and one of its most important effects will be to liberalise the rules for foreign banks setting up branches.

Other rules will stay in place for longer. In particular, the Bank of Slovenia says it must control capital flows to support its anti-inflationary monetary policy.

The country's association agreement with the EU gives it a transition period of four years to liberalise capital flows. After that, only the strongest Slovenian banks will stay alive. "In the medium term, our banks' advantages might just be in niche services," says Mr Stiblar.

A bank in Ljubljana: punitive restrictions have kept foreign competitors at bay, but things may have to change before Slovenia can join the EU Melanie Friend

Turkey to crack down on illicit oil trade with Iraq

By John Barham in Ankara

Turkey is to regulate a thriving if illegal barter trade with Iraq to raise badly needed tax revenues.

For years, Turkish traders have swapped food, household goods, cigarettes and alcohol for cheap Iraqi diesel oil, and resold it at home at prices that undercut local producers. Although the trade is a violation of United Nations sanctions imposed on Iraq following the invasion of Kuwait in 1990, it has become the main source of hard currency for Iraq's Kurds.

The government's Anatolian news agency said Petrol Ofisi, a state-owned chain of petrol stations, would buy, sell and tax the diesel, following a "recommendation" last Wednesday by the powerful military-dominated National Security Council that the traffic be brought under control.

Officials quoted by Anatolian said that the regulations would raise $900m a year in tax and customs revenues.

Turkey's western allies tolerate the trade because it benefits the Kurds of northern Iraq and provides a livelihood for thousands of Kurds in south-east Turkey, although the family of Saddam Hussein, Iraqi president, also profits from the traffic.

The border trade has come under de facto regulation at Habur bridge, the only crossing point between Turkey and northern Iraq, controlled by Iraqi Kurdish factions since the 1991 Gulf war. Customs officials on the Turkish side limit the number of trucks allowed across the bridge and extract bribes on their return. Trucks are permanently lined up for several miles on the Turkish side awaiting permission to cross.

The Iraqi Kurds also charge customs dues, although disputes over control of the revenues are a main source of conflict between the region's two rival warlords.

● Turkey's ministry of energy and the Russian gas monopoly Gazprom have signed a preliminary agreement to buy Russian natural gas via a $3bn pipeline to be laid beneath the Black Sea, Anatolian reported. Russia is Turkey's only supplier of natural gas, but the existing pipeline is already operating at capacity. The two sides are expected to sign a deal for Turkey to buy 16bn cu m of Russian gas by 2010 via the pipeline, part of which will be built under the Black Sea between the ports of Tuapse and Samsun.

Man dies as police fight Chechens in southern Russia

At least one man was killed and 11 were wounded in an armed clash between police and a crowd of ethnic Chechens in southern Russia, officials said yesterday, AP reports from Moscow

Police reinforcements were brought to Khasavyurt, a town in Dagestan near the Chechen border where the clash occurred. Police and interior troops also reinforced checkpoints along the border.

Russia's interior ministry said the clash was provoked by an incident on Saturday in which Khasavyurt police detained a Chechen man suspected of rape.

Dozens of fellow Chechens then blocked the road on which the detainee was transported and released him by force. However, police managed to seize two of the attackers, the ministry said.

The crowd of about 500 armed Chechens who gathered near the town's main police station by night demanded their release, smashed several windows and opened fire at police officers when these tried to push the crowd back.

Three officers, including Khasavyurt's police chief, were wounded. Police fired back, killing one attacker and wounding seven, the report said.

Scattered Chechen attacks on police outposts were reported in Khasavyurt before dawn yesterday, in which one police officer was wounded.

The crowd dispersed by morning and the situation in the city was calm, according to the news agency Interfax.

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Jakarta acts in bid to halt rupiah's fall

By James Kynge in Kuala Lumpur

Indonesia became the latest south-east Asian nation to *try to tame market forces by* the imposition of selective currency controls yesterday, in an attempt to halt an 11 per cent slide in the value of the rupiah since early August and ease domestic interest rates.

The move, similar to steps already taken in Malaysia and Thailand, runs the risk of damaging confidence among stock market investors. Indonesia's stock market fell by about 7 per cent last week and the rupiah plunged to a historic low of 3,070 against the US dollar on Friday before recovering somewhat later.

"This kind of administrative control increases the risk premium for investing in Indonesia," said one economist for an international brokerage in Singapore.

"It will make investors wonder whether Jakarta will follow Malaysia's example and impose controls not only on the currency but also on the stock market."

Sudradjad Djiwandono, governor of the Indonesian central bank, ruled that forward foreign exchange selling against the rupiah by domestic banks to foreign customers would be capped at $5m worth of rupiah per customer. He also said that positions outstanding in the forward market would be limited to the equivalent of $5m per bank – a level which many banks are thought currently to exceed.

The regulations, which were retroactive from August 29, did make excep*tions for transactions driven* by genuine investment and trade requirements. But, Mr Djiwandono said, such exceptions must be proven *by supporting documents* which are permanently stored in domestic banks.

The bureaucratic burden of compliance with such guidelines could well slow the process of trade and investment in Indonesia, observers said.

Economists said Jakarta's move appeared to signal a shift in policy priorities. Authorities have been growing anxious over the slowing effect on economic growth which high interest rates, needed to support the rupiah, have been having.

Curbing the access of foreign speculators to the rupiah is likely to slacken pressure on domestic short-term interest rates, as happened in Malaysia after *it imposed currency controls* in early August. The concern of Indonesian authorities appears to be that the depreciating currency and the *slumping local stockmarket* have hit companies hard, making it difficult for some to meet loan repayments.

South Korea's finance minister, Kang Kyong-shik, yesterday faced calls for his resignation amid a sharp *fall in South Korean stock* prices and pressure on the currency, Reuters reports from Seoul.

Mr Kang, who took office in March vowing to restore confidence in financial markets battered by a corporate corruption scandal and a month of strikes, is now being attacked for doing too little too late.

His market "stabilisation package", unveiled last week in response to a slew of corporate failures, has failed to impress commentators.

Stocks crashed through the psychological barrier of 700 points on Saturday, with foreigners leading the sell-off.

The won plunged to an all-time low of 909.50 against the dollar on Tuesday before recovering to 902.00 on Friday.

Mahathir deni Anwar resignation rumour

By James Kynge in Kuala Lumpur

Mahathir: 'rumour-mongers should be shot'

Mahathir Mohamad, Malaysia's prime minister, denied strong speculation at the weekend that Anwar Ibrahim had resigned as finance minister because of disagreements over how to combat the crisis in the nation's financial markets.

"Anwar is not resigning. He is going to be there doing all he can about this thing," *Dr Mahathir said. He added* that "rumour-mongers" who spread such irresponsible notions "should be shot" because all they seemed to care about was making money at the expense of the country.

The speculation over Mr Anwar's resignation follows a recent denial that Ahmad Don, central bank governor, was also planning to resign. It also comes at a time when there are clear signs of policy disarray within the nation's leadership.

Mr Anwar, who is also deputy prime minister, has said that some of Malaysia's large infrastructure projects, many of which are heavily reliant on imports, should be put on hold until an expanding trade deficit starts to narrow. The deficit is seen as a key cause of the Malaysian ringgit's 18 per cent decline since early July. It has also affected sentiment on the stock market, which is down 35 per cent from its peak in February.

But Dr Mahathir, who is the driving force behind the so-called "megaprojects", *has rejected any suggestion* that they be shelved. A reported remark from an International Monetary Fund official that the "megaprojects" might be put off, incurred the prime minister's ire at the weekend.

He said the IMF's motive was simply to prove that it had been right in recommending that Malaysia slow its economy. The prime minister also criticised the IMF's package of aid to rescue Thailand from its financial crisis. "I would like to say that after [the IMF] helped Thailand, the Thai baht is still sliding and the Thai economy is still in bad shape," he said. "So why do you borrow from the IMF, which is not of any help?" Malaysia pledged US$1bn as part of the US$16.7bn Thai *rescue package led by the* IMF.

Other signs of strain within the government were revealed when Mr Anwar was not present at a key meeting last week to announce that pension funds would devote "billions of ringgit" to propping up the stock market. But Dr Mahathir denied he had taken over the finance portfolio, saying it merely appeared so because he was responsible as head of government.

Malaysian economists reflected a mood of growing impatience with what many regard as the prime minister's refusal *to address* the country's concrete economic ills. "What is needed at this juncture is a clear policy direction by the authorities *in critical* areas and the will to stick to it," said Michael Yap, senior research fellow at the influential Malaysian Institute of Economic Research.

"Unclear policy directions will only add to the uncertainty of the situation. Investors get unsettled by uncertainties," he added.

Bankers seek sounder economic policies

International financial crises, such as the one currently sweeping south-east Asia, will not be averted unless individual governments pursue much sounder economic policies.

That was the gloomy if somewhat predictable conclusion of a two-day gathering of many of the world's leading central bankers, and financial market and academic economists this weekend.

Mr Alan Greenspan, chairman of the US Federal Reserve, called for much wider disclosure of economic statistics by all countries, to alert markets to the possibilities of developing crises. And a senior official of the International Monetary Fund said reforms put in place after the Mexican crisis of 1994-5 had largely failed to avert the rapid escalation of the currency and banking problems in Thailand this year.

Against the incongruously *serene backdrop of* Grand Teton National Park in north western Wyoming, central bank governors from the US, the UK, France and a *dozen other countries* joined international financial regulators and economists in reviewing the causes and consequences of recent crises, notably those in Mexico and in Thailand.

Most agreed that, for all the current efforts at improving international financial supervision, if governments failed to get their own policies right, replays of such crises were virtually inevitable.

After the Mexican crisis, international regulators pushed for improvements in the release of economic data by individual governments. At the same time, the IMF had agreed to be more forthright in warning countries that were on the brink of serious trouble, Mr Stanley Fischer, deputy managing director of the Fund, told the annual economics symposium here of the Kansas City Federal Reserve.

Though the IMF had been much more frank with the Thai authorities this year about the dangers they faced from a large current account *deficit, heavy capital inflows* and mounting banking sector problems, the government had been unable to avoid the currency and broader financial crisis that followed.

"The Thai case illustrates the limitations on what international agencies can do," Mr Fischer said. "Most of the responsibility for averting difficulties must rest with governments."

Mr Eddie George, governor of the Bank of England, told the conference that, contrary to widespread belief, financial crises did not usually arise independently. "Though this may be embarrassing for a central banker to admit, destabilising influences more often flow from the macro-economy – especially policy – to the financial sector," he said. "It is unusual for markets to develop a crisis out of a clear blue economic sky."

> 'If governments failed to get their own policies right, replays of such crises were virtually inevitable'

Policymakers agreed this tendency for crises to be policy-induced placed a heavy reponsibility for avoiding any escalation of difficulties *on financial markets themselves*. Vigilance by investors was necessary when governments' economic policies began to go awry.

But for this market mechanism to work effectively, investors still needed better information about the condition of emerging market economies. Mr Greenspan called on all governments to agree to the automatic release of most important economic data.

"When something goes wrong, the first reaction of a government is: 'Don't let anybody know'," he said. "If data release mechanisms are automatic, then all the embarrassing stuff comes out quickly."

According to a number of the academic economists at the gathering, however, the financial markets had sufficient information in advance of both the Thailand and Mexico crises but largely *ignored the warning signs*.

New research by Mr Morris Goldstein of the Institute for International Economics, a Washington-based group, *suggests that in more than* 30 banking and currency crises around the world in the last 20 years, ample evidence of impending problems was available well before the event. This included unsustainably large current account deficits, rising interest and real exchange rates, and falls in equity prices.

On specific policies that should be pursued by emerging market governments to avoid future crises, all participants unsurprisingly agreed that maintaining price stability was essential. But there was also widespread agreement on a hitherto much more controversial proposition – that fixed or pegged exchange rate regimes had exacerbated or even prompted many of the recent crises.

While agreeing that the practice of pegging currencies to the US dollar had helped control inflation in many countries, Mr Frederic Mishkin, an economist with the New York Federal Reserve Bank, pointed to two important characteristics in emerging market *economies that made such a* policy highly risky, especially for those countries with a weak banking sector.

First, emerging market *economies have a much* higher proportion of their total borrowing in short-term debt than industrialised countries typically have.

When interest rates are raised to defend the fixed currency rate, the high concentration of short-term borrowing means debt servicing costs rise quickly, hitting demand.

Second, most emerging market economies have a high proportion of their foreign liabilities in US dollars. When governments are eventually forced into a devaluation of the pegged exchange rate in a crisis, the move delivers a disproportionate shock to the economy, since it raises suddenly the cost of servicing the foreign currency debt.

With a floating exchange rate, the impact on the economy of a currency depreciation is much more gradual. "A fixed exchange rate regime (for most emerging market economies) is like putting the economy on a knife edge. One slip and the economy comes crashing down," *Mr Mishkin argued.*

"For central bankers there is nervousness about how countries can secure an exit from fixed rate regimes," *said the Bank of England's* Mr George.

Gerard Baker

NEWS: INTERNATIONAL

Opposition in Mexico awakes to bigger role

President Zedillo is in an unfamiliar position, says Daniel Dombey

When members of Mexico's new Congress took office this weekend, they were making history.

Not in 70 years has a Mexican president faced an opposition-dominated elected chamber, nor one which enjoyed so much democratic *legitimacy.*

In the past, the Congress served as little more than a rubber stamp for presidential fiats, with most important decisions taken behind closed doors.

Now, however, even the president's own Institutional Revolutionary Party (PRI) is showing greater independence from the government.

It is far from clear whether President Ernesto Zedillo's administration will be able to push through key parts of its agenda, particularly in the economic sphere.

Controversy dogged the installation of a new Congress when the PRI refused to attend, arguing that opposition deputies had failed to delay the swearing-in ceremony as requested by the PRI.

However, since the opposition met the quorum for the swearing-in, the installation went ahead as planned.

"Perhaps the government thinks that things are going to be like they were," said Carlos Medina Plascencia, the leader of the opposition National Action party in the Chamber of Deputies.

"Someone is going to have to wake them up. Somebody is going have to shake them and shout 'Good Morning!' in their ears."

Although the administration acknowledges times have changed since the last Congress, when 90 per cent of new legislation was initiated by the executive, the

Zedillo: not clear whether his administration can push through key parts of agenda

government and the PRI have at times appeared bemused by the new circumstances.

Ever since July's congressional elections deprived the PRI of its majority – for the first time in its history – the removal of the party's leader, Humberto Roque Villanueva, has been awaited.

As yet, however, machinations within the PRI have prevented any decision, leaving a vacuum at the top of the party. Meanwhile, the government has maintained a low profile, leaving plenty of media space for the newly elected opposition representatives.

"We have won the elections and we are going to govern as the majority in Congress," said Porfirio Muñoz Ledo, the leader of the leftwing Party of the Democratic Revolution in the new Congress.

The PRI maintains a healthy majority in the country's Senate, but won only 239 out of 500 seats in the more powerful Chamber of Deputies, which approves the national budget.

The four opposition parties – *though ideologically* diverse – have moved quickly, forming an alliance to take control of Congress's ruling bodies, although on many policy issues the opposition bloc members remain poles apart.

Both the leftwing PRD and the traditionally conservative PAN, the parties which dominate the opposition, have kept up a vociferous public campaign to cut the country's VAT, one of the most unpopular taxes.

The government and the PRI argue that since food and medicines are exempt from VAT, any cut would favour the better off. disproportionately.

It adds that a VAT cut would push up raise Mexico's modest budget deficit, unless it was properly financed.

As far as the wider public is concerned, the PRI's cause is all but lost. Even the administration's own private polls show massive support for the opposition's proposals for VAT.

The party leadership concedes that Mr Zedillo is likely to suffer a historic reverse over the tax.

"The most important thing is the general state of public *finances rather than the* level of VAT," said Arturo Nuñez, PRI leader in the Chamber of Deputies. "An unbalanced budget would lead to the same old cycle of devaluation, inflation and further devaluation that Mexico has lived through so many times."

However, Mr Muñoz Ledo, the most prominent opposition leader in the new Congress, thinks a higher budget deficit than the current 0.5 per cent of gross domestic product can be justified.

Nor is it clear the government will be able to win battles on other sensitive economic issues, such as the level of the minimum wage. Its more economically cautious position is generally harder to sell than the arguments of its opponents.

In spite of the looming problems, the administration has taken few concrete steps to win over public opinion. The presidency will be setting up no special Congressional liaison office.

Individual ministries will have to fight their own legislative battles with little co-ordination from the centre.

Nevertheless, the government took the protective measure of passing much of its most controversial legislation, including bills to privatise airports and petrochemicals, and the liberalisation of social security, in the last legislature.

It is confident the unlikely *alliance between its disparate* opponents will not last long.

Administration officials argue their agenda of judicial reform and expanded social programmes is close to some of the opposition's key demands. Recently, however, even the PAN has become much cooler on privatisation, a policy it has traditionally strongly favoured.

The administration may find support for key measures hard to come by, even from its own party.

"The parties' policies are fairly close to each other, even including the PRI," said Mr Muñoz Ledo. "The real difference is with the technocrats in the government. It is their rule that we aim to end."

China-St Lucia ties established

China is to establish formal diplomatic ties with the Caribbean island of Saint Lucia today, Reuters reports from Beijing.

Foreign ministry spokesman Shen Guofang said in a statement published by the People's Daily that Beijing "highly appreciated" the decision by Saint Lucia to break off ties with Taiwan.

China regards Taiwan as a renegade province and as such is not entitled to engage in international relations.

Taiwan said on Friday it had severed ties with Saint Lucia in response to the Caribbean island's efforts to court China.

Taipei said Saint Lucia's ruling Labour party had been actively pursuing ties with Beijing since it won an election in May.

Taipei's decision came one week after local media reported that Saint Lucia's cabinet had decided after a 13-hour debate on August 21 to switch ties to Beijing.

The diplomatic break reduced the number of states that recognise Taipei's exiled government to 30.

Taiwan and China have engaged in a tense diplomatic tussle since they were split by a civil war in 1949.

Beijing says Taiwan is not entitled to international recognition.

Taipei agrees that Taiwan and mainland China should be re-unified eventually, but says the island has the right to pursue diplomatic ties during the current estrangement.

Tension rises over second term for Ramos

By Justin Marozzi in Manila

The Philippine House of Representatives is expected to approve a controversial move paving the way for constitutional amendments this week, as the debate intensifies on whether to allow President Fidel Ramos to run for a second term.

The political temperature in Manila has risen considerably in the past week with the introduction of a resolution to turn Congress into a constituent assembly to revise the constitution and, critically, lift term limits on elected officials.

Under the present 1987 constitution, the president is limited to one six-year term.

Angry opposition members in Congress staged a walkout on Thursday in protest against what they called a "dictatorial" railroading of the process by the administration majority.

In the lower house – where around a third of congressmen are restricted by the present term limits from running again – all signs indicate overwhelming support for amendments.

Approval in the House would need to be followed by endorsement in the Senate where allegiances remain unclear at present. According to one newspaper report yesterday, only nine senators are set to vote against the resolution.

"What worries me in all this is that now the debate has entered Congress, the president no longer has direct control of the process," said a western diplomat.

"And with the economy threatening to slide out of control, that could be dangerous for the country."

Last week, the country registered the first slowdown of the economy since Mr Ramos was elected in 1992,

President Ramos: limited to one six-year term under the present constitution

with first half gross national product slipping from 7.5 last year to 5.9 per cent.

Continued uncertainty on the region's foreign exchange markets and the rising political uncertainty have bludgeoned the Manila stock market which lost 18.43 per cent on the week at the close last Friday.

The issue of another Ramos term is arousing passionate divisions in a country which overthrew the dictator Ferdinand Marcos 11 years ago, after two decades in power.

Former president Corazon Aquino and Cardinal Jaime Sin, both prominent leaders of that revolution, have called for a mass rally on September 21 – the 25th anniversary of Mr Marcos' declaration of martial law – opposing any tinkering with the constitution.

"This is what the people are witnessing 11 years after the strongman was kicked out on his ear," said an editorial in a Manila newspaper yesterday.

"An orchestrated song and dance designed to lend legitimacy to one man's extended rule. It's time to shoot the piano player and run the dancers out of town."

Taiwan's first ratings group starts coverage

By Laura Tyson in Taipei

Taiwan Ratings, the country's first credit rating agency, launched its Taiwan coverage at the weekend with the first assessments of companies in Taiwan's vibrant high-technology sector.

The fledgling agency, formed earlier this year as a joint venture between Standard & Poor's and several government-backed Taiwanese partners, including the Taiwan Stock Exchange, released estimates of credit quality for 14 companies based on publicly available information.

Bruce Hyman, director of corporate ratings at S&P, which holds a 50 per cent stake in the new agency, *said the analysis identified* quite divergent levels of credit quality among the companies assessed.

Taiwan's information technology industry now ranks third in output behind the US and Japan, according to official figures. Many of Taiwan's high-tech companies, including top-ranked Taiwan Semiconductor Manufacturing, have strategic alliances with foreign partners as well as debt overseas and in Taiwan.

"In the Taiwan market, there is very little differentiation in pricing of debt issues but the credit quality of companies varies greatly," said Chen Chung-hsin, president and chief executive of the new agency.

"The establishment of a credit rating agency will provide a benchmark and help improve market discipline and transparency."

Taiwan is among the world's biggest markets in commercial paper, with primary issuance topping T$6,000bn (US$209bn) (in 1996. However the corporate bond market (maturity longer than one year) is underdeveloped, with just 140 issues last year averaging T$1bn (US$35m) in size.

Issues will likely be fewer this year due to the strong stock market performance.

Taiwan Ratings officials stressed the professionalism and independence of the agency, noting that the evaluation committee was com

'Establishment of a credit rating agency will provide a benchmark and help improve market discipline and transparency'

prised mainly of overseas experts to ensure fairness. The risk assessment techniques used would be the same as those applied by S&P in other markets.

They emphasised information provided by the companies would be kept strictly confidential and even the Taiwan government would be unable to gain access.

Historically, investment decisions in Taiwan are based on subjective criteria such as the borrowers' name and reputation. *In the* absence of a reliable and objective rating system, underwriters have difficulty bargaining with issuers.

Currently no Taiwan corporates have credit ratings. Among financial institutions, two banks have actual credit ratings from S&P.

Seven other banks and six or seven insurance companies have "public information" ratings, or a general credit quality assessment.

Palestinians to appeal to Albright over Israeli stance on Oslo accord's redeployment timetable

West Bank troop withdrawal on hold

By Judy Dempsey in Jerusalem

Israel said yesterday that it had no intention of implementing its scheduled second troop withdrawal from the West Bank, forcing relations with the Palestinian Authority to fall to a fresh low.

Under the 1995 Oslo Interim Agreement, which granted limited autonomy to the Palestinians, the second redeployment was supposed to take place six months after the first pullback.

After considerable delay, the first redeployment took place last March when Israel returned only 2 per cent of land to full Palestinian control but the PA refused to accept it, saying it was too little.

"We see no reason to discuss the redeployment if they [the Palestinians] do not keep up their side of the bargain in cracking down on terrorism and cracking down on the infrastructure of terrorism," said David Bar-Ilan, media adviser to Benjamin Netanyahu, the Israeli prime minister. He was referring to the double-suicide bomb attack on a Jerusalem market in July which killed 17 people.

The Palestinians are insisting that the redeployment scheduled for September 7 take place. They said they would raise this with Madeleine Albright, US secretary of state, who is due to visit the region for the first time next week.

The redeployment timetable was designed so that the contours of a Palestinian state would be drawn before the final status talks started in earnest. These talks are supposed to focus on the Israel's future borders, the status of Jerusalem, Palestinian refugees, settlements and water.

Saeb Erekat, chief Palestinian negotiator, said: "It is clear that Netanyahu does not want to go ahead for ideological and political reasons. He is taking each bit of the Oslo accords and renegotiating them."

Israeli officials denied they were reneging on the Oslo accords.

"There was only a firm date for the first and the third pullbacks," said Mr Bar-Ilan, who added that Israel was not ready to consider returning 70 per cent of revenues owed to the PA which it had refused to pay since the July bombing.

"Withholding these transfer payments is a sanction," said Mr Bar-Ilan. The US and the European Union have sharply criticised the sanction, saying that, along with the continuing closures, they amounted to a "collective punishment on the Palestinians".

Yesterday, the IMF called on Israel to resume the full transfer of the revenues, saying the PA was facing liquidity and financing needs.

UN chief calls for action over Algeria

By Roula Khalaf in London

In a signal that the United Nations may be prepared to play a role in ending Algeria's bloodshed, Kofi Annan, United Nations secretary general, said at the weekend that the world could no longer ignore the five-year-plus conflict.

"We are dealing with a situation which for a long time has been treated as an internal affair," said Mr Annan. "And yet as the killing goes on and the numbers rise, it is extremely difficult for all of us to pretend it is not happening, that we don't know about it and we should leave the Algerian population to their lot."

Mr Annan said it was necessary for the international community to go beyond words of condemnation "quietly and discreetly", adding that he hoped to "find ways and means of encouraging the parties to cease violence".

Since the outbreak of violence in Algeria in 1992, following the cancellation of elections which the Islamic Salvation Front (Fis) was poised to win, Algeria's army-backed government has reacted strongly against any suggestions of outside interference.

Western governments have tried to stay clear of the conflict, and have helped the Algerian government with debt reschedulings and International Monetary Fund credits without putting pressure on it to seek a political solution.

Aftermath: People check bodies in the street for relatives after Friday's massacre in Rais AP

The UN secretary general's reaction followed a night *of slaughter* last week in villages south of Algiers, in which between 200 and 300 people were killed, according to unofficial sources. The government, which has often claimed that violence was living its last hours, put Thursday night's death toll at 98. The massacre followed weeks of stepped-up violence, which left several hundred people dead. Since 1992 *it is estimated that* more than 60,000 people have been killed in Algeria.

Abassi Madani, the Fis *chief who was recently* released by Algerian authorities, responded to Mr Annan's call with a letter expressing his willingness to "immediately" call for an end to the violence and "prepare the opening of a serious dialogue" with the government.

Mr Madani's release in *July had raised hopes of* a possible dialogue. However, the Algerian *government* has long maintained that the Fis is no longer capable of controlling the violence, which it blames on extremist armed Islamist groups known as GIA. The Fis has denounced the GIA and condemned massacres of civilians. Fis leaders believe the extremist groups are infiltrated by the government.

French boost for internet software

By Andrew Jack in Paris

France is poised to liberalise regulations on computer encryption technology which could boost its efforts to encourage development of the internet.

The government is shortly to publish an official decree which would for the first time allow easy access to *and use of software which* encodes sensitive information in order to protect it from unauthorised interception.

The move could prove especially important for companies attempting to sell products and services over the internet, but which have been concerned about their protection of credit card numbers and other financial information provided by their customers.

France remains one of the few western countries to impose such restrictive legislation on encryption, with *only certain categories of* users currently allowed to use the software.

Other nations which continue to restrict the use of cryptography tightly in order to control the transfer of sensitive information include Iraq, Libya, Singapore and China.

While many more countries – including EU member states and the US – restrict the export of sophisticated encryption technology as a product important to national security, most have more liberal guidelines concerning the circulation and application of software within their own borders.

The new decree in France follows a 1996 telecommunications regulation law, which opened the way to liberalisation of encryption software but which has so far not led to publication of any details of how the measures could be applied.

The latest move comes after Lionel Jospin, the prime minister, made a speech last week highlighting the "delay" in France of uptake of the internet and promising initiatives to give it a higher priority.

Fast track, destination uncertain

Latin American countries are doubting the potential benefits of US trade accords

On September 10, President Bill Clinton will ask the US Congress to grant him fast track authority to negotiate new trade agreements. Without it the president's ability to pursue talks on a Free Trade Area of the Americas (FTAA) and conclude accords at the World Trade Organisation will be in jeopardy.

Mr Clinton has just over a week to build support for fast track in a Republican-controlled Congress that has been hostile to the idea since 1994, when the North American Free Trade Agreement with Mexico and Canada went into effect.

As a result, presidential aides say key aspects of the bill are still under discussion, including the length of the negotiating mandate and whether labour and environment issues should form an integral part of future trade pacts.

Jay Berman, the president's chief adviser on fast track, says a "clean" fast track bill – a trade negotiating mandate with no strings attached – *is not on the* cards.

"Given the extent of concern in Congress over foreign labour and environmental practices, it is hard to conceive that Congress will just give the president a clean negotiating mandate," he said.

Mr Berman said he hoped the bill would move swiftly through Congress, with the administration seeking a first vote in the House of Representatives in early to mid-October, in time for Mr Clinton's trip to Argentina, Brazil and Venezuela, with the Senate acting shortly thereafter.

In Latin America, however, support for Mr Clinton's regional trade initiative is rapidly being supplanted by concerns over the strings that may be attached to the president's fast track authority.

At a summit in Asunción, Paraguay, last weekend, presidents of the 14-nation Rio Group said they remained committed to trade integration. But they warned "Labour rights and the links *between commerce and the* environment... must be dealt with exclusively at the corresponding multilateral fora: the International Labour Organisation and the Environment and Commerce Committee of the World Trade Organisation."

In Washington, a Brazilian diplomat went further. "Brazil does not want the issue of labour rights to be used as an excuse for raising new protectionist barriers against trade," he said. "We hope the wording of the fast track bill will be moderate, otherwise it might set US trade negotiators on a collision course with Latin America."

Other Latin American governments are worried that fast track is being marketed on Capitol Hill exclusively as a means to tear down barriers against US exports.

At a recent lunch with ambassadors, Charlene Barshefsky, US trade representative, is reported to have said that a Free Trade Area of the Americas would be "a tremendous free lunch" for the US. Her comments caused acute indigestion.

"*Free trade must be an* equaliser, and it must advance Latin America's development," says John Biehl, the Chilean ambassador. "If the US does not conceive the negotiations as a two-way deal, then the only escape Latin Americans will have from poverty in the 21st century is through massive migration."

There are also differences between the US and Latin America on how rapidly negotiations should proceed after FTAA talks are formally launched at a the second Summit of the Americas in Santiago, Chile, next April.

The US wants to begin discussions on reducing tariffs next year, but the Mercosur customs union, which links Brazil, Argentina, Uruguay and Paraguay, wants to take a more gradual approach, starting with talks on non-tariff barriers, and leaving talks on market access and tariffs to the year 2003.

Brazilian negotiators argue they are not in a position to consider further tariff reductions in the near future *because of the country's widening* trade deficit and an anti-inflation policy that is anchored on a strong currency.

Chile, an associate member of Mercosur and a strong advocate of free trade, has also shifted its position recently to reflect the views of the Mercosur bloc.

After lobbying for many years to be included in the North American Free Trade Area, Chile's enthusiasm has waned. It has also been told by US trade negotiators that accession to Nafta is a controversial option because of *the treaty's unpopularity in* the US. Mr Clinton has *offered to negotiate* a bilateral treaty instead, but Chile, sensing its sudden isolation, has not greeted the proposal warmly.

"Bilateral negotiations could be a humiliating experience for Chile," Mr Biehl said. "We do not want to be the showcase in which the US gets to correct all the things that went wrong with Nafta."

Leslie Crawford

INTERNATIONAL NEWS DIGEST

Egypt court sentences spies

An Egyptian court yesterday sentenced an Israeli man to 15 years in prison with hard labour after finding him and three others guilty of spying for Israel.

The verdict on Azam Azam, an employee at an Israeli textile company in Cairo, was immediately condemned as an "outrage" by Benjamin Netanyahu, the Israeli prime minister.

Emad Abdel Hamid Ismael, an Egyptian, and two Israeli women who were tried in absentia, were also found guilty of planning to provide industrial secrets to the Israeli intelligence service, by a state security court.

Mr Netanyahu has on several occasions personally asked President Hosni Mubarak of Egypt to have Mr Azam released.

Mr Azam and the two women are all Moslem Druze Israelis. Mr Azam and Mr Emad were arrested when confidential information was found written in invisible ink on women's underwear in the possession of the accused. *Mark Huband, Cairo*

■ ASIA-EUROPE SUMMIT

Cook rules out Burma

Burma's ruling military regime is very unlikely to be invited to the Asia-Europe summit to be hosted in London next April by the UK government, Robin Cook, the British foreign secretary, said in Manila at the weekend.

At a joint press conference with his Philippine counterpart, Domingo Siazon, the UK minister said "I would not hold out very much hope" that Burma's participation at the Asia-Europe Meeting (Asem) would get the necessary consensus from the European Union, which will be chaired by Britain for the first half of 1998.

Mr Cook made clear Britain would ostracise Burma until its return to democracy. *David Buchan, Manila*

■ ANGOLA SANCTIONS

Unita promises action

Angola's former rebel movement Unita said yesterday it would fulfil UN Security Council demands to avert new sanctions, but officials close to the peace process said they doubted Unita's will to comply.

Last week the Security Council announced a package of sanctions due to come into effect on September 30 unless Kofi Annan, UN secretary general, confirms that Unita has taken "concrete and irreversible steps" to fulfil its obligations. The measures include curbs on Unita travel outside Angola and closing down the organisation's offices abroad.

The threat of sanctions was sparked when the former rebels consistently delayed implementing three key elements of the Lusaka agreement: handing over the vast territory they still control, defining the number of armed troops they maintain and reforming their propaganda radio station into a non-partisan entity. *Reuters, Luanda*

■ TRINIDAD

President collapses

Arthur Robinson, president of Trinidad, was sent to a medical clinic for "routine tests" yesterday after collapsing during a ceremonial troop review, Wade Mark, information minister, said.

The president fell ill while inspecting troops at a parade marking Trinidad and Tobago's 35th anniversary of independence at the Queen's Park Savannah.

He collapsed into the arms of his aides, according to reports, and was immediately rushed by car to the nearby medical institution. *Reuters, Port of Spain*

■ AQABA AIRPORT

Jordan-Israel air accord

Jordan and Israel yesterday signed an accord to divert international flights from Israel's congested Eilat resort to the kingdom's Red Sea Aqaba airport, a possible first step to a jointly run facility.

"The memorandum of understanding has set some principles for the future, this is not the end but the very beginning, we are looking forward to having things in the future more concrete," Jordan's transport minister, Bassem al-Saket, said after the accord was signed by the two countries heads of civil aviation.

Officials said they hoped Israel would start diverting flights on a trial basis from Eilat airport to Aqaba within a month from the signing and expected traffic to grow to at least 35 flights per week at the end of the trial scheme.

Eventually if the project succeeds it could pave the way for the first jointly run airport in the Middle East. *Reuters, Aqaba*

■ **PAPARAZZI** – By Richard Adams

Facing life without their favourite subject

Hounded by paparazzi in New York in 1993: photographers yesterday found themselves at the centre of bitter criticism following the death of the princess Photograph: Gamma/FSP

The world's paparazzi – photographers who snap the rich and famous – were yesterday adjusting to what may be a new era: life without their favourite subject and the end of their licence to hunt celebrities.

They also found themselves at the centre of a bitter public controversy, facing criticism. "I always believed the press would kill her in the end," Earl Spencer, the brother of Diana, Princess of Wales, said yesterday.

He added: "Every proprietor and editor of every publication that has paid for intrusive and exploitative photographs of her, encouraging greedy and ruthless individuals to risk everything in pursuit of Diana's image, has blood on their hands today."

Yet for many paparazzi, the immediate concern was the effect that the princess's death would have on their prospects of earning a livelihood.

"This is going to make things tough," said one London photographer. "I know it sounds heartless, but this is going to put a lot of guys out of work."

For two years this photographer was a member of the pack of about 50 full-time freelances who dogged Diana's steps in London. The hours were long, and the rewards were variable. But he was still able to earn what he called an "honest living" as a "pap" – the paparazzi's nickname for themselves.

He was shaken by the news, and not just on behalf of his bank balance. "I'm shocked. I knew her, I talked to her. She was great," he said.

The opinion among the British paparazzi was that the events of Sunday morning in Paris would not have happened in the UK, because the UK's paparazzi would not have harassed her so severely. "First, the English guys are less likely to ride bikes, because of the weather here. And second, we had a long-term relationship with Di," he said.

"The French guys, they didn't care, because they didn't have to deal with her tomorrow and next week and next month. We did."

The majority of paparazzi only scrape a living. It is only those who have persistence, cunning and patience that can produce photographs that will sell around the world.

The London "paps" earn their bread and butter from selling candid snaps of celebrities, mainly to national tabloid newspapers and magazines.

The average "pap" can earn about £100 for a "run of the mill" photo of a celebrity stepping out in London, but more if the shot is unusually revealing or embarrassing.

For what the tabloids call "the Royals", the starting price is £150 – and in practice that usually meant pictures of Diana, since few other members of the Royal family visited the fashionable gyms and restaurants of London.

The freelance agreed that public reaction to Diana's death meant the paparazzi would have to lie low. But the lack of subject matter would hurt the trade. "I guess they will have to wait until [the princes] Wills and Harry get older," he said.

In spite of the disguise of an Italian name – Paparazzo was the name of a photographer in Federico Fellini's film *La Dolce Vita* – the British have come to dominate the business.

When Mario Brenna, an Italian, captured the first intimate photos of Diana and Dodi Fayed in St Tropez, he turned to Jason Fraser, a London-based photographer, to act as his agent.

Mr Fraser is reported to have sold the snaps for a total of £1m – and taken a cut for himself.

And when Arnold Schwarzenegger, the Hollywood film star, was forced to pull off the road after being trapped by two cars in California, the drivers turned out to be British paparazzi.

A commissioning editor at one UK tabloid said the competition with television was one reason for the demand for the paparazzi's output. "We have to get pictures and stories that television can't get. So we have to do things they can't do – or won't do."

Another reason is that UK newspapers have cut staff numbers in recent years, often reducing the number of photographers and relying on freelances. "Now the profession is more dangerous, more risky. A lot of the 'gentlemen' have left the game," the editor said.

But it was far from surprising that France should be the scene of Diana's accident. French magazines have played an important role, demonstrating an appetite for photographs, bought in competitive auctions from both specialist agencies and freelancers working on their own.

For one senior journalist in the French magazine industry, Paris Match, the glossy weekly, is turning "more and more" to paparazzi shots. "I am shocked in view of the considerable investment it must be taking," the journalist said.

The stakes in France have increased with the arrival of the German-controlled magazines, Gala and most significantly Voici – owned by Mr Axel Ganz – which have boosted competition for celebrity pictures.

In Italy the photographers are freelance photojournalists who can earn more than $100,000 for a snapshot. They are prepared to risk life and limb for the photograph of a lifetime of a Grimaldi or an English royal.

Chelsea Clinton, daughter of the *US president*, had a rough introduction to the aggression of Italian freelancers in July. In Florence her bodyguards fought with paparazzi trying to tail Ms Clinton as she left a nightclub.

Before yesterday's tragedy, Italian paparazzi have been forced to defend their profession this year, after what they regard *are efforts* by the Italian government to stop their activities.

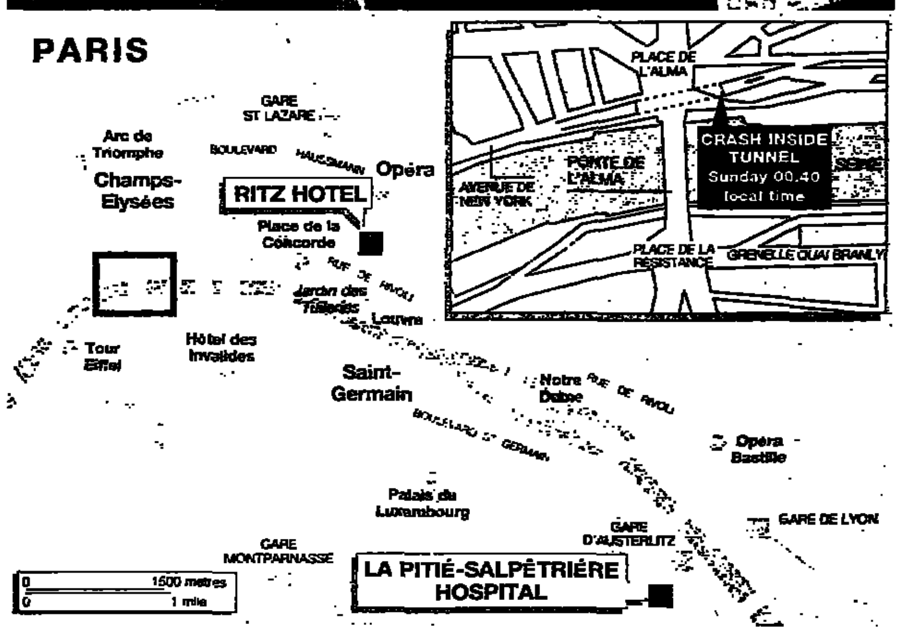
The centre-left government of Romano Prodi, the Italian prime minister, recently introduced privacy legislation to provide Italian individuals with greater protection.

The irony, according to one Italian commentator, is that Sunday's tragic events are likely to encourage even more paparazzi to ride roughshod for the ultimate picture. Sadly, it is not just an excuse to secure a scoop, but a matter of big money.

Yesterday there were reports the National Enquirer, the US supermarket tabloid, was offered pictures of Diana trapped in the fatal wreck for $1m (£625,000). And in London, tourists were buying postcards of the late princess by the handfull. Even in death, many people still wanted her image.

Additional reporting by Paul Betts in Milan and Andrew Jack in Paris.

The wrecked car in which Diana, Princess of Wales, Dodi Fayed and their chauffeur were killed



■ **PRIVACY LAWS** – By James Blitz and Andrew Jack

Demands for curbs on intrusion grow

The death of Diana, Princess of Wales – and the manner of her passing – yesterday intensified demands by British and French politicians for laws curbing the intrusive activities of newspapers.

Robin Cook, the foreign secretary, suggested the role allegedly played by photographers in the tragedy could lead the government to reconsider a law protecting the privacy of individuals.

In France – which has tougher privacy laws than the UK – Elisabeth Guigou, justice minister, said the accident would be "the moment to reflect on certain practices." François Bayrou, leader of part of the centre-right opposition, called for the defence of privacy by "legal means that cannot be circumvented."

However, drawing up privacy laws to protect the rights of individuals has proved a tortuous task for lawyers and politicians over the years. In both countries the area has been the subject of considerable debate. But there was no sign yesterday of any fresh ideas that might take that debate forward.

In the UK, newspapers informally regulate their activities through the Press Complaints Commission, a body set up by newspaper proprietors. It cannot fine or punish newspapers deemed to have acted unfairly – and was described by one MP yesterday as "a toothless watchdog."

*The last Conservative gov*ernment gave serious consideration to laws that might protect individuals. But in 1995, John Major, then prime minister, scrapped a comprehensive set of proposals put to him by a senior lawyer.

One reason for the government's concern was the fear that any bill would find it hard to achieve a balance between real "investigative" journalism and activities that are just plain prurient.

Another problem perceived by ministers then was that the tabloid press would savage the government if it believed legislation was in the offing. Even with its large majority, Tony Blair's administration cannot dismiss such a threat.

Lawyers defending the UK system have raised other concerns. Can an individual ever be deprived of the right to take a photograph in a public place? Why shouldn't eavesdropping journalists simply be subject to the laws of trespass? What action can judges take to prevent photographs being published overseas?

Compounding this are the clear limitations of the much tougher laws in France, where many celebrities have not hesitated to take legal *action in their efforts to pur*sue magazines published in many different countries.

French law has certainly helped clamp down on what judges perceive as excessive intrusion into stars' private lives. The ruling Grimaldi family of Monaco succeeded last year in blocking publication in French magazines of photographs of Daniel Ducaret, the husband of Princess Stephanie, with a Belgian stripper.

But it is clear that in many other cases, the law has not acted as a deterrent. With the maximum fine standing at FFr200,000 (£19,782), a growing number of magazines has been prepared risk publication, knowing they can get a huge jump in circulation from pictures of mass appeal.

Given the strength of public feeling about Princess Diana's death, there is little doubt that the British and French governments will embark on a renewed attempt to legislate in this field.

World reaction

"How many times shall we remember her in how many different ways – with the sick, the dying, with children, with the needy? With just a look or a gesture that spoke so much more than words, she would reveal to all of us the depth of her compassion and her humanity."

Tony Blair MP, UK prime minister

"She was a young woman of our age, warm, full of life and generosity. Her tragic death will be deeply felt because she was a familiar figure to everyone."

Jacques Chirac, president of France

"We liked her very much. We admired her work for children, for people with Aids, for the cause of ending the scourge of landmines in the world and for her love for her children William and Harry."

Bill Clinton, US president

"I always believed the press would kill her in the end. But not even I could imagine that they would take such a direct hand in her death as seems to be the case. It would appear that every proprietor and editor of every publication that has paid for intrusive and exploitative photographs of her, encouraging greedy and ruthless individuals to risk everything in pursuit of Diana's image, has blood on their hands today."

Earl Spencer, brother of the Princess

"Princess Diana became the victim of an unceasing, gross and unscrupulous circulation battle in a section of the media. This terrible accident and her death should at last give those responsible in the media cause for thought."

Helmut Kohl, chancellor of Germany

"With the tragic death of Princess Diana, a beacon of light has been extinguished. Her good works brought hope to so many of those in need throughout the world."

Baroness Thatcher, former UK prime minister

"She was well-loved and admired across the Commonwealth and was emerging as a potent symbol of our common humanity in her evident commitment to others less fortunate than herself."

Chief Emeka Anyaoku, Commonwealth secretary general

"Princess Diana had indeed become an ambassador for victims of landmines, war orphans, the sick and needy throughout the world."

Nelson Mandela, president of South Africa

"I knew her as a very sensitive, at times very amusing, lady who desperately wanted to make a difference in this world."

Henry Kissinger, former US secretary of state

"I think we will all feel slightly guilty, frankly. We may blame the press, but there will also be a sense of national guilt because in this way we were constantly buying chunks of Diana's life."

Professor Cary Cooper, stress expert

"She was one of the first and most committed champions on this issue. It will be a struggle for the Aids community to come to terms with her death."

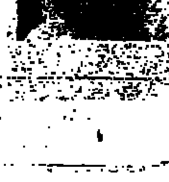
Nick Partridge, chief executive of the Terrence Higgins Trust, an Aids charity

"She was an amazing and remarkable woman, a loyal friend and a genuine crusader who did a great deal for others."

Jemima Khan, friend

"It's high time to put an end to this, an end to the stake-outs and chases. There should be a law to protect citizens."

Luciano Pavarotti, opera singer and friend



"All the sisters and I are praying for her and all the members of her family to know God's support and peace and comfort in this moment."

Mother Teresa

Compiled by Robert Rice

Legacy of the fairy-tale princess

Tragedy cannot be disentangled from blighted reputation of royal family, writes **Philip Stephens**

It was a chillingly awful denouement in the sad soap opera that has become the royal family. The Princess of Wales lived through the media and died by it. The question now is whether the same fate awaits the monarchy.

The answer is no, at least not soon. Yet the fact that the question will be asked many times over coming weeks and months is grim testimony to the condition of the House of Windsor. At the end, of course, Diana was no longer one of them, no longer an HRH. But the tragedy of her life and her death *cannot* be disentangled from the blighted reputation of the family into which she married.

Do not misunderstand. Britain, by and large, remains a nation of monarchists. No one is better loved than the Queen Mother, none as well respected as the Queen. The people may have been dismayed at the way the monarch's children have played out in public the tortured passions of their private lives. But, for good or ill, the monarchy remains part of the country's emotional cement. If Prince Charles is denied the reverence he could have taken for granted a generation ago, Britain is not yet *ready for president Thatcher.*

Diana will be deified in death, the fairy-tale princess always denied the happy ending of the storybooks. Whatever her faults, and these will now be overlooked, no-one would deny that her short life was suffused with as much sadness as glamour. It matters not whether, in her marriage to the heir to the throne, she was victim or, *in part at least,* villain. She was, in Tony Blair's words, the "people's princess".

At so short a distance we can only speculate as to how her death will reverberate within the royal family. No doubt even now some of the more flint-faced royal courtiers are calculating a gain. They will judge that Charles, *doubtless as* genuinely saddened by her death as he was unhappy in their marriage, will be able to step out of the long shadow cast by the most famous, most photographed woman in the world.

My guess is that it will not be as easy as that. The personal grief of his children, William and Harry, will weigh heavily on the heir to the throne. Nor will the Establishment in which he must operate necessarily be more tolerant of his relationship with Camilla Parker Bowles. Technically Charles is now a widower, free to remarry in the Church of England. But the bish*ops who in the past have turned* their backs on empty churches to denounce the merest hint that Charles might marry again and still be king are unlikely to make it easy. Public opinion too may be irrationally unforgiving.

Some others will revive the notion that Charles should cede his claim to the throne in favour of William – for the good of the crown, they will say. *I see no rea*son why he should or will take such a drastic step. The purpose of his life has been to prepare for his coronation. The Queen, in any event, will be with us for some time yet. The pressures on young William, though, will be immense. To lose a mother is awful. To live the loss through the *scrutiny of an* ever more intrusive media will be a dreadful burden. It is hard to see how William, or Harry, can have an easy relationship with the press.

But from Diana's life and death, the monarchy must learn a lesson. It cannot forever rely on the reservoir of good will and respect which has seen it through the past decade. It must begin again to earn the loyalty of its subjects.

The disastrous experiment to turn royals into celebrities, with Diana as the superstar, has come to a brutal end. It was always a mistake to confuse accessibility *with star status, openness with* self-promotion. The media monarchy demanded of its principal characters a standard of behaviour they proved incapable of delivering – and a level of self-restraint from the press which was never on offer. It led Charles and Diana to treat television as a public confessional. It is too late for the Windsors to retreat from the public gaze, but they can begin to learn *the virtues* of circumspection.

Bigger changes are needed. If the Queen's subjects are more comfortable with the monarchy than with an alternative, that is not to say they are satisfied with its present condition. As Mr Blair embarks on the modernisation of Britain's constitution, the House of Windsor should insist on being part of it.

Some of it is presentational: less pretention, if not yet less pomp; a touch of humility; a smaller group paid from the public purse; a recognition by Charles perhaps that not all among his would-be subjects see innocent sport in the terror of the hunted fox. The monarchies of the Netherlands and Scandinavia are not models to be transplanted wholesale into Britain. But the bicycling kings and queens of these countries somehow command the genuine affection of their peoples without falling prey to the temptations of cheap populism.

I would guess, though, that the process of change will have to go much further than the royal family has yet imagined. If Mr Blair's constitutional reforms are implemented, they will radically alter the nation's perception of what constitutes a modern democracy. Hereditary peers will be stripped of political power, the writ of Westminster challenged by devolved government in Scotland and Wales. It is hard to imagine the Windsors will escape the consequences.

The "royal prerogative", the archaic fiction under which the government of the day exercises its power in the name of the monarch, is an obvious target. It ties the Queen too closely to her ministers, allowing them to hide behind the pretence that the monarch rules as well as reigns. Nothing is more demeaning than demanding that each year the monarch reopen parliament with a party political broadcast for whoever happens to be in Downing Street. A more circumscribed role is needed for the crown, one which allows it to remain a focus of national loyalty and frees it from politics.

These of course are considerations for when the period of mourning is over. The outpouring of grief yesterday attests to the extraordinary grip Diana exerted over the public imagination. But *just as there will never be a prin*cess like her, so after her 15 turbulent years in the public eye the monarchy can never be the same.

■ OBITUARY

The aristocrat who was always given a welcome

Diana: Her marriage to the Prince of Wales was described as far from happy Photograph: PA

Diana, Princess of Wales, was one of the most striking figures of the late 20th century. Wherever she went, she was recognised, and usually applauded.

Her tragic death at the age of 36 in a car crash in Paris in the early hours of yesterday morning brought normal broadcasting around the world to a standstill as the stations sought to recast their programmes to report the news, record the reactions and pay tribute. No one had expected the end to come like that.

Until her divorce from the Prince of Wales in 1996, Diana was in line to be the next queen at Charles's side. After the divorce, as the mother of their two sons William and Harry she was still likely one day to be the mother of a king.

The Hon Diana Frances Spencer was born on July 1961 at Park House, part of the Sandringham estate in Norfolk. The family rented it from the Crown. Her father was Viscount Althorp, her mother the Hon Frances Roche. The Queen and Prince Philip had attended their wedding in 1954 and Althorp was a royal equerry.

Althorp's wife left him when Diana was six. He succeeded to his father's title, Earl of Spencer, in 1975 and married Raine, formerly Countess of Dartmouth and daughter of Barbara Cartland, the novelist, the following year. The family was thus aristocratic but not royal – a fact that was to have some bearing on the choice of wife for a future king, who was encouraged to marry neither a commoner nor a Catholic.

Much of European royalty was ruled out because it tends to be Catholic. Besides, as the managing editor of Debrett's pointed out, Diana would bring a little Stuart blood back into the royal family as she was descended five times from Charles II – "four times on the wrong side of the blanket, and one on the right side".

Diana had a fairly conventional upbringing for a girl of her background. She went to Riddlesworth Hall, a boarding preparatory school near Diss in Norfolk, then to West Heath boarding school in Kent. She did well at swimming and dancing, but not academically.

At 16 she moved to finishing school in Switzerland. When she returned to England she lived with a group of girlfriends in London's South Kensington and worked variously as part-time cook, a nanny and a teacher. She began teaching infants at the Young England Kindergarten in Pimlico.

Diana first met Charles in 1977 through her eldest sister Sarah, a close friend of the Prince, at her father's estate, Althorp Park. She usually wore jeans and was sometimes described as "one of nature's tomboys", and full of fun. The Prince gradually took to her.

At the same time, reports were emerging from around Buckingham Palace that the Prince should marry, if only to establish an heir. Prince Philip, in particular, is thought to have urged that Charles should either choose Diana or drop her.

The wedding – one of the most resplendent in British postwar history and televised worldwide – took place at St Paul's Cathedral in July 1981. Diana was 20 and Charles was 32. For the rest of her life the Princess of Wales was seldom out of the public eye. On an early trip to Australia, it was she rather than the Prince who caught the cameras.

But troubles began early. Diana did not like the Court establishment, nor did much of it take kindly to her. Perhaps she was not too well looked after by the Palace; certainly she became ill with bulimia. She seemed to court publicity while at the same time complain about it.

To Diana, the Prince appeared broody and overearnest – ironic in a way as they were both interested in unfashionable charities, though for Charles it may have been more cerebral than emotional. She was aware of the Prince's previous attachment to Camilla Parker Bowles, and thought – rightly as it turned out – that it might be renewed. Foreign trips together became a nightmare as the cameras would snap them on clearly less than friendly terms.

Still, there were two sons. Prince William was born in June 1982 and Prince Harry in September 1984. Clearly the Queen hoped that the marriage could survive. Yet from about 1987 stories began to appear in the press suggesting that Charles's aloofness was to blame.

Public sympathy, though divided, was moving towards Diana. There was a particularly damaging book by the journalist Andrew Morton – *Diana: Her True Story* – which relied, if not on the Princess as a source, at least on her close friends, and described her condition as far from happy.

With hindsight the book can be seen as the beginning of a public vendetta between them. Prince Charles was later to give his own account of affairs to Jonathan Dimbleby, whose book *The Prince of Wales – A Biography* was published in 1994.

Subsequently, both the Prince and the Princess gave television interviews in which they spoke of infidelities. The press, including the broadsheets picking up from the tabloids, continued to print anything it could find.

By the autumn of 1987 a pattern had been established: the couple tended to spend their time apart. The final separation was announced by the then prime minister John Major in the House of Commons in December 1992, with the remarkable rider that it did not affect the succession and that there was "no reason why the Princess of Wales should not be crowned Queen in due course".

But there were many who believed that such a situation was not tenable. The Queen took a hand and the Prince and Princess of Wales were divorced in August 1996. The Princess became known as Diana, Princess of Wales. Speculation moved to whether Charles would eventually marry Camilla Parker Bowles.

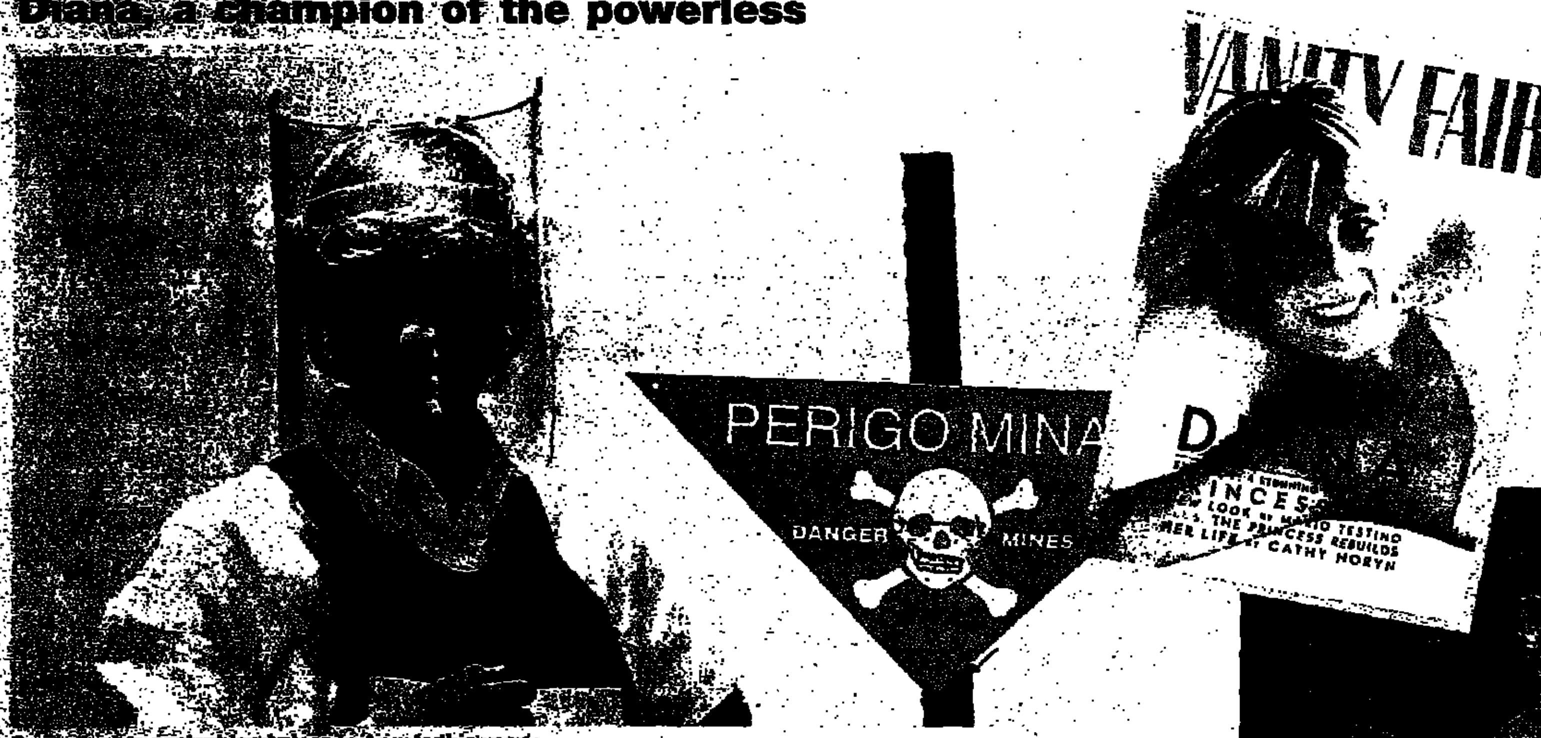
Since the divorce Diana was rarely out of the news, partly because of her friends, partly because of her striking appearance, but also because of her work for charities. She was one of the earliest public figures to help the victims of Aids, not just raising funds but talking to sufferers and touching them.

She was always attached to children's causes and most recently had become identified with the campaign to eliminate landmines, travelling the world to publicise the cause. Almost her last public trip was to Bosnia. Whatever people thought of the history of the marriage and the future of the royal family, she was always noticed and always welcomed.

■ INTERNATIONAL ROLE

Modern woman of universal appeal

Diana, a champion of the powerless



Campaigning against landmines in Angola this year

Meeting Aids sufferers in London in 1989

Comforting leukaemia sufferer Camila Flocco in July

With Mother Teresa in June

With landmine victims in Angola

The world saw in her what it wanted to see. In death, even more than in life, Diana, Princess of Wales, appeared truly a "woman of our age" – transcending the literal words of the tribute from the French president, Jacques Chirac.

As broadcasters preempted regular programmes for open-ended coverage and newspapers rushed out special editions, it was difficult to imagine another contemporary person as immediately recognisable and whose fate would command such global attention. The Pope, perhaps, although his renown derives not from his person, but from his office, inherently controversial.

By contrast, Diana's universal appeal was grounded in her gift to satisfy whatever the observer needed, only rarely provoking strong antagonism. She seemed to speak in different ways to different countries.

In Germany, the emphasis yesterday was on her humanitarian activities. In Italy and Spain and Latin America, it was on the mix of glamour and royalty and tempestuous romance which only the princesses Caroline and Stephanie of Monaco – and their late mother, Grace, in a far less prying day – could in any way rival.

For the Japanese, Diana's image was the ideal of a princess — beautiful, graceful and kind. For gym-mad Californians, her stunning good looks proved conclusively the merits of having a personal trainer. Her openness about personal problems struck a chord with the publicly confessional modern American.

She appeared to be simultaneously a strong woman, who bounced back and bested the royal family in the battle for hearts, and yet no threat to any male who thought his prerogatives were challenged in daily life. She charmed the powerful from Henry Kissinger to Colin Powell, she championed the powerless – from Aids patients to the homeless to victims of landmines. She also won a reputation as a devoted mother, an attribute heavily stressed throughout the world yesterday.

Only in her own country, where questions of class and politics intruded, and where the complexity of the royal saga was much better understood than elsewhere, was Diana's image more mixed.

But the harsh words uttered in Britain less than a week ago, after her candid interview in Le Monde, appeared forgotten yesterday. Her death seemed to have transfigured her. If commentators, often self-consciously, resorted to clichés — "international icon", "global village", "fairy tale" – to discuss her life, it seemed entirely appropriate.

Commentators grappled for the apt comparisons which would speak across the generations of viewers – the assassinations of John F Kennedy in 1963 or John Lennon in 1980. But they died in different times, before television had reached its current penetration in geographical terms and in the way the world perceives itself.

> Diana's appeal was grounded in her gift to satisfy whatever the observer needed, only rarely provoking strong antagonism. She seemed to speak in different ways to different countries

From the moment the first news of the Paris crash emerged, TV screens around the world were filled with pictures of the smashed Mercedes in a tunnel, predictable scenes of floral tributes by ordinary people, then mostly talking heads.

There were exceptions – Tony Blair's controlled but patently emotional statement, a motorcade from Balmoral – but it was the "story" that mattered, not the images. Her funeral that is destined to be a landmark of global shared experience, comparable – but reaching far more people – to the 1953 coronation, Sir Winston Churchill's funeral in 1965 and Diana's own doomed wedding to the Prince of Wales in 1981.

The story has already illustrated the evolving world of round-the-clock news broadcasting – an odd mixture of co-operation and competition between global news channels. BBC and Independent Television News, its domestic rival, both broadcast nothing else throughout the day. They also fed the demands of their national counterparts throughout the world.

British Sky Broadcasting, the satellite channel controlled by Rupert Murdoch, and the US-based Cable News Network pulled out the stops to supply non-stop coverage to their domestic and international viewers. CNN said 90 per cent of coverage was simultaneously broadcast to US and international viewers.

Many continental European broadcasters took a different tack, saving their energies for special programmes last night. The main US networks also held fire. Australia and New Zealand initially took feeds direct from UK and international broadcasters.

Other media were also buzzing. British Telecommunications reported a "significant" but unquantified increase in domestic calls compared to a normal Sunday. A similar rise was seen in international calls, especially to Australia and New Zealand, where customers were talking for longer than the nine minutes or so customary at the weekend.

BT said it had set up controls around the Buckingham Palace local exchange as a precautionary measure in case the Palace was inundated with calls. Callers would be held in a queue or invited to call back later.

Anybody blocked in this way, however, could take a cyber-path through the cordon. Within hours of the announcement of Diana's death, the Palace had added a page on its website for internet-surfers to e-mail their condolences.

The BBC broke new ground in terms of globalisation. Its first four hours of domestically broadcast coverage, from 2.30am London time yesterday, was taken intact from BBC World, the international television service never before seen in the BBC's home market. It was planning the same arrangement again last night.

A fitting legacy for Diana. Just as Diana had transcended the UK royal family her life and death no longer were bounded by Britain. She belonged to the world.

Additional reporting by Alan Cane and Our Foreign Staff

Country mourns ahead of funeral

The body of Diana, Princess of Wales, was taken to a mortuary at an undisclosed location yesterday, after being flown back from Paris last night to RAF Northolt, west of London, writes Michael Peel.

Funeral arrangements were expected to be announced today. The prime minister's office said that the royal family would decide on the format. It also said that Tony Blair, the prime minister, had cancelled meetings with trades union and industrial leaders as a mark of respect.

The government suspended its campaign for "yes" votes in the referendums on its proposals to set up a Scottish parliament and a Welsh assembly. William Hague, Conservative party leader, said his party would suspend its campaign against the plans.

Other political events were cancelled or toned down.

The Scottish Office said it did not know whether the government would try to postpone the Scottish vote, which is set by Act of Parliament for September 11.

Parliament would have to be recalled if the government decided to repeal the bill. "I think the government is still considering at present, in the light of the funeral arrangements, what the implications for the referendum will be," the Scottish Office said.

The mood of national mourning extended to sporting events. Football fixtures, including a sell-out Premier League match between Liverpool and Newcastle United, were cancelled throughout England and Scotland yesterday and silences were observed before cricket and rugby matches.

Celebrations in Glasgow to mark the centenary of the Scottish Trades Unions Congress were cancelled.

A march to celebrate the ending in May of the trade union ban at GCHQ, the Cheltenham headquarters of the UK's intelligence operations, went ahead to a background of drumbeats rather than marching bands. "Because of this tragedy we decided they should not play," said Mike Grindley, who led the campaign against the sackings of workers who did not comply with the union ban.

"Instead, we decided that only the drums should beat out a funeral pace as we walked slowly in silence."

A spokeswoman for Mohamed Fayed said the body of his son Dodi had been flown back to Britain for burial.

NEWS: UK

Cashflow may please former Lloyd's Names though audit qualification is likely to remain

Equitas figures 'better than expected'

By Christopher Adams, Insurance Correspondent

Equitas, the giant reinsurance company which took responsibility last September for more than £10bn ($16.3bn) in old liabilities from Lloyd's of London, is expected to report soon that cashflow during its first year of trading has been better than expected.

For thousands of former Names – individuals who backed the Lloyd's insurance market and whose personal losses were so huge that they faced financial ruin – Equitas's forthcoming set of accounts may offer a more upbeat message than its first figures published in April. The company has paid out less in claims and collected proportionately more from other reinsurers who owe it money than was forecast when it opened for business 12 months ago.

However, an audit qualification from Coopers & Lybrand, the accountants, which appeared in the maiden figures is likely to remain broadly unchanged, as a result of considerable uncertainty about the scale of liabilities and the poor quality of data used in the reserving exercise. Coopers & Lybrand had questioned the "quality and completeness" of information used to calculate assets that Equitas needed and it added that closer scrutiny might lead to a substantial re-assessment of liabilities.

It is also unclear whether the lower-than-projected claims payout is a result of settlements being smaller than predicted.

In addition, a cash surplus of nearly £800m when Equitas took charge of Lloyd's losses last September may yet be eroded by the need to bolster reserves. About 40 per cent of liabilities stem from policies vulnerable to "long tail" pollution and asbestos-related claims in the US.

Equitas is trying to improve the consistency of information supplied by insurance syndicates at Lloyd's. Last month, it brought online a data warehouse, Equip, to present data from Lloyd's underwriting agencies in a single format.

The forthcoming Equitas accounts will show the balance sheet as at March 31 this year. The figures published in April, showing the position at the start-up last September, suggested that Equitas had a cash surplus of £588m after receiving an £11.2bn premium to re-insure all Lloyd's losses for 1992 and prior years.

The surplus then was lower than expected as the group took a £122m charge because assets transferred from syndicates were undervalued.

Equitas is still negotiating terms with Lloyd's for reinsuring the liabilities of Lioncover, which took responsibility for the notorious loss-making PCW syndicates. Lloyd's is thought to have settled much of the long-running litigation with reinsurers who disputed whether they should have to pay money Lioncover was trying to collect.

UK NEWS DIGEST

Watchdog plans $1.6m penalty

Investment banks in breach of Securities and Futures Authority rules may face fines of more than £1m ($1.6m) under plans being considered by the SFA, the financial regulator. It is considering a substantial increase in the fines levied for cases of misconduct and failure of management controls. The maximum is likely to be tripled.

It also intends to provide stronger incentives for investment banks and brokers to report cases of individual misconduct by reducing the sanctions on investment banks that report control failures. The SFA's largest fine since its formation in the wake of the 1986 Financial Services Act was the £300,000 Swiss Bank Corporation was told to pay last week. Imro, the fund management regulatory body, levied a £2m fine on Morgan Grenfell Asset Management last April.

The decision comes in advance of the consolidation of City and banking supervision under the Securities and Investments board from next year.

The "super" SIB will then take operational control of Imro, and SFA officials. *John Gapper, London*

■ DEFENCE TECHNOLOGY

Racal group wins $163m contract

Racal, the UK-based electronics group, yesterday announced a series of defence-related contracts placed by the Ministry of Defence and worth about £100m ($163m).

The contracts will provide the British armed forces with the latest in information technology and include a new lightweight satellite terminal – a mobile phone system for the battlefield – to improve communications for ground troops and a transportable command and control centre for the Royal Air Force. A third contract is intended to equip Royal Navy frigates with electronic warfare systems.

Mr David Elsbury, Racal chief executive, said: "Our success against a general decline in defence spending is due to our highly focused and strong position in information warfare technologies."

Racal is already a member of the Archer consortium, bidding for a £2bn battlefield communications system called Bowman for the British Army. *Alan Cane, London*

■ CENTRAL BANK

Supervisory role strengthened

The Bank of England, the UK central bank, is strengthening its bank supervision procedures as part of efforts to recognise early signs of a collapse such as the one which brought down Barings.

It has appointed Ronnie Baird, currently a financial controller at Lloyds TSB, as head of a quality assurance unit. Mr Baird, a chartered accountant with extensive banking and supervisory experience, is taking a pay cut to join the bank. He said: "Money's not important. It's a wonderful opportunity for a fresh challenge."

Setting up such a unit was one of the key recommendations of a Board of Banking Supervision inquiry and a report by Arthur Andersen, the audit, tax and management consulting firm, that followed the Barings collapse in 1995.

The unit, which has been steadily built up over the last year, will sit alongside 20 supervision teams – 220 line supervisors – within the bank. Key aims are to improve efficiency and pass on lessons on best practice from one team to another. *Christopher Brown-Humes, London*

English nationalism fails to make a noise

Scots and Welsh devolution issue seems of little gravity to their 49m neighbours

The constitutional future of the UK will be decided next month by some 5m Scots and 3m Welsh people with no reference to the views of the 49m inhabitants of England.

Not that there is a great clamour of interest among the English about events in the rest of the UK. The general feeling appears to be that if the Scots and Welsh want home rule, then let them have it.

When prodded by Mori, the opinion pollsters, 46 per cent of English people thought they should be given a vote on Scottish and Welsh devolution compared with 44 per cent who thought they should not. However, the poll in the Times newspaper found that devolution was exciting little interest, with only 1 per cent of people in England listing it as an important issue.

However, there are politicians from all parties who believe the constitutional settlement proposed by the government cannot stick, because it is deeply unfair to England.

They argue that once the English realise that the new deal is weighted in favour of Scotland and Wales, pressure will mount for further far-reaching constitutional reform to redress the balance.

English nationalism has so far failed to surface in any meaningful sense, in spite of the heat generated by the England team's stirring performances in the Euro 96 football championship.

Predictions that the Conservative party would become an English nationalist party after its defeat in the May general election have failed to materialise.

True, the party lost all its House of Commons seats for Scotland and Wales, but few senior members believe that the party's future lies in wrapping itself in the flag of St George, the emblem of England. Michael Portillo, the standard bearer for the flag-waving, anti-European Right, was among the most notable Conservative casualties of the Labour party's landslide victory on May 1.

However, the issue of Welsh and Scottish devolution looks certain to stir politicians and business leaders to fight a more subtle campaign to improve the lot of the English regions.

Jim Cousins, a Labour MP in the north-eastern city of Newcastle upon Tyne, says that if the Scots have their own parliament, it will whet the appetite of many in the north-east for their own directly-elected assembly.

"I think it will create an even stronger demand in our region to go the same way," he says. The government's refusal to contemplate giving English regions direct assemblies in its first term was "disappointing".

Mr Cousins, who chairs Labour's northern group of MPs, says he also believes the current financial settlement for Wales and Scotland – where the two nations receive around 20 per cent more public expenditure per head than England – could not survive.

"There is bound to be some build-up of pressure to reduce this disparity, or inequality," he says. He believes that public spending in the English regions should be brought up to the same level as Scotland, although a levelling downwards would be a more likely Treasury response to such pressure.

Paul Tyler, Liberal Democrat MP for North Cornwall in south-west England, agrees that public spending for Scotland and Wales must be brought into line with less affluent areas of the country, like the south-west.

He points out the resentment in Cornwall over the fact that the state supports projects as diverse as new tourism ventures and an air ambulance in Scotland, but none in the far south-west of England. He also believes that devolution in Wales and Scotland will heighten demands for power to be passed down from Westminster to the English regions, and counties like Cornwall.

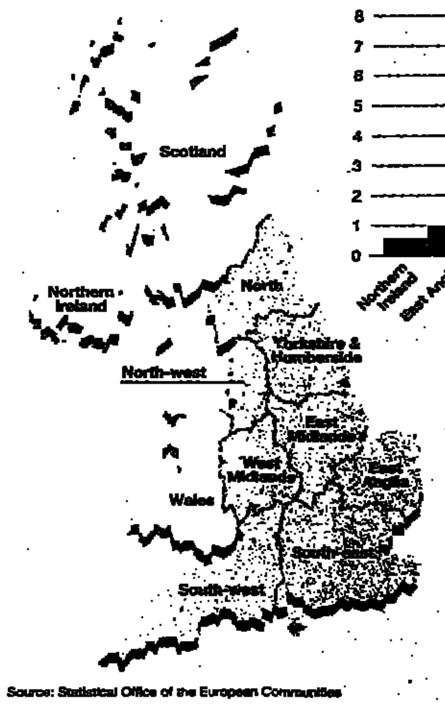
If the Scottish parliament ever exercised its proposed power to cut taxes by 3p in the pound, demands for a reduction of the English "subsidy" of Scotland would be intense south of the border.

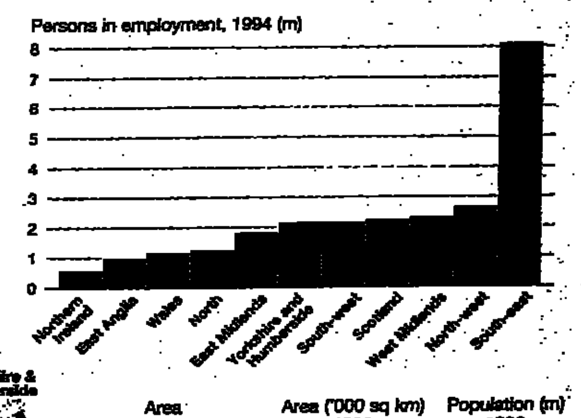
Maurice Fitzpatrick, head of economics at Chantrey Vellacott, the City of London firm of chartered accountants, claims the Scottish fiscal deficit amounts to some £2.8bn ($4.5bn) – equivalent to almost 2p on the basic rate of income tax for English taxpayers.

Devolution will also heighten Conservative demands that the number of Scottish and Welsh MPs in the Commons should be cut – both regions send more MPs to London than their population demands. Labour already accepts the number of Scottish MPs at Westminster should be cut from 72 to about 60.

George Parker

Dominance of the south-east





Area	Area ('000 sq km) 1993	Population (m) 1993
North	15.42	3.10
Yorkshire & Humberside	15.41	5.01
East Midlands	15.63	4.08
East Anglia	12.60	2.09
South-east	27.22	17.77
South-west	23.83	4.77
West Midlands	13.00	[illegible]
North-west	7.34	6.41
Wales	20.77	[illegible]
Scotland	77.08	5.12
Northern Ireland	13.48	1.63

Source: Statistical Office of the European Communities

Sterling's rise prompts new fears for exports

By Wolfgang Münchau, Economics Correspondent

UK export figures, which have still to reflect the full extent of sterling's sharp rise, could face an increasing squeeze in the next 12 months, according to leading UK analysts.

The government's official trade statistics – which last week showed a deficit of close to £1bn ($1.6bn) in June – do not fully reflect the effect of the strong pound because current trade volumes mostly correspond to orders which were placed a long time ago.

The Institute of Export, the association of UK exporters, has warned that export volumes could actually decline rather than experience slower growth unless the exchange rate reverted to more sustainable levels.

Ian Campbell, director-general of the IoE, said: "The trade figures are holding up surprisingly well, very much to our surprise because we would have thought that they had slackened by now.

"After 9, 10, and 12 per cent export growth in the last few years, it is clear that we cannot maintain that level, and I can foresee the negative growth."

A series of export surveys – from the Confederation of British Industry – the principal employers' organisation – the Chamber of Commerce and others – reflect extreme pessimism among UK exporters in contrast to the official trade statistics, which show that trade volumes are rising.

To compensate for the rise in the pound, exporters have been cutting prices at the fastest level since 1973, according to the CBI. The result is a squeeze of profit margins.

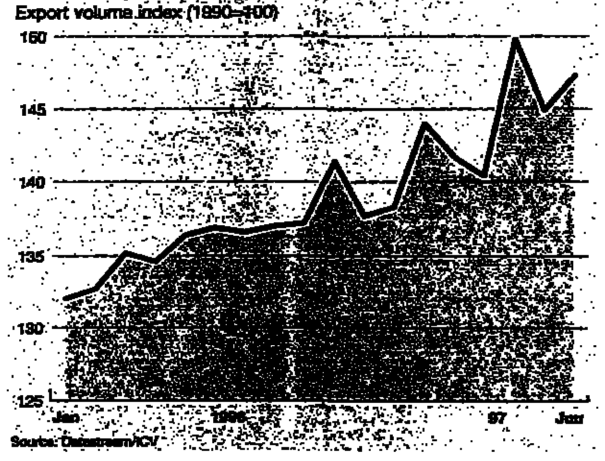
According to Richard Jeffrey, chief economist at Charterhouse: "The J-curve effect will hit exports in the end. The exports that are coming in now were ordered when the pound was slower."

The J-curve indicates that changes in an economic variable can have unsuspected short-term effects. A J-curve effect is present when a rising currency leads to a sudden improvement in the trade deficit, followed by a sharp deterioration.

Exporters' reactions to a rising exchange rate are generally believed to depend on their own expectation as to how long the period of currency strength will last, and on the level of domestically generated profits, which could cross-subsidise any export losses.

If UK economic growth were to fall back sharply in the next 12 months, export volumes could also fall. And if the strength of sterling persists beyond a certain threshold period, exporters may decide to pull out of unprofitable export markets.

So far, so good



Source: Datastream/ICV

Expansion for dryer output

By Peter Marsh

Norfrost, the UK domestic appliance maker best known for its chest freezers, is gearing up to make 400,000 tumble-dryers a year – equivalent to roughly half the current UK market.

The scale of Norfrost's ambitions in tumble-dryers is likely to cause a stir in the European domestic appliance industry.

As part of its expansion the company also plans to launch a tumble-dryer which it claims will use about 25 per cent less energy than current standard devices.

The company plans to export up to 70 per cent of its tumble-dryers and hopes to make an impact in countries such as Germany and Scandinavia where the devices are currently unpopular partly because they use so much energy.

Norfrost, the world's biggest manufacturer of small chest freezers, making about 400,000 a year, moved into tumble-dryers two years ago. It hopes to make between 25,000 and 50,000 dryers during the next year, and its target of 400,000 units a year could be achieved by 2002, according to Pat Grant, the company's managing director and part-owner.

All Norfrost's production and virtually all its 430 workers are based in the Scottish village of Castletown, far from any large industrial centre. Established in 1972, the company now has annual sales of £31m ($50.5m). It is building a £15m plant next to existing sites for the tumble-dryer project.

Partly because of its geographical isolation, the company has an ethos of self-sufficiency. It makes many of its own production machines, has its own haulage company to distribute its products – and provides its own 24-hour electricity.

Kettle company in China test deal

By Peter Marsh

Strix, the UK world leader in the manufacture of kettle thermostats, has set up a pilot plant in China to test the possibilities of expanding its production outside Britain.

The company's business has been increasing rapidly as consumers outside the English-speaking countries use kettles and related domestic appliances for heating liquids for uses other than making tea.

With Asia accounting for 30 per cent of Strix's sales, expected to be more than £50m ($81.5m) this year, the privately owned company has started its 20-person factory in China as an experiment to establish whether full-scale production outside Britain is viable.

Most of Strix's 700 employees work in three factories on the Isle of Man, off the north-west coast of England, where the company is based. It also has a plant in Chester, near the city of Liverpool in the north-west.

Strix chose China as a potential non-UK manufacturing base because it is close to many of its most rapidly expanding markets. Asia accounted for only 5 per cent of Strix's sales three years ago but, by 2000, the company expects this figure to reach more than 50 per cent.

Some 40m kettles and related electrically powered "liquid heaters" are sold annually around the world. The market has grown rapidly, with industry officials estimating it could reach 100m by early next century.

Demand has been particularly strong in continental Europe, while much of Strix's strong position in selling to Asia is explained by companies in the region incorporating the controls in devices, which are then exported into European countries.

Strix believes it has 65 per cent of the world market for kettle controls and related devices. A second UK company, Otter Controls, is believed to have 20 per cent.

THIS WEEK

En route to sunnier times

DATELINE

Nice: the Côte d'Azur is attracting foreign tourists but is facing tough competition in winning the French over, writes David Owen

The Côte d'Azur. One of the world's leading tourist destinations. The land of Cannes and Saint-Tropez and Nice's extraordinary Negresco hotel, whose pink dome jauntily decorates the six-lane Promenade des Anglais and where Sir Paul McCartney apparently wrote the lyrics for "The Fool on the Hill".

The region's tourist industry is just closing the book on a highly satisfactory summer season. Figures from the Riviera Côte d'Azur regional tourism committee show the number of nights spent in the area's hotels 11 per cent ahead of the January to July period last year. July's figures, says the committee, show "the recovery is well and truly there".

To a significant extent, this resurgence is the result of favourable currency fluctuations. Foreign visitors can buy more French francs with their money than they could a year ago.

But the industry has also noticed a proliferation in the nationalities of this year's visitors, with growing numbers of Asians and east Europeans. The Russians are returning too – a development not without some historical resonance, since, in the words of Dominique Charpentier, director-general of the region's tourism committee, "the Russians virtually created the Côte d'Azur, along with the English".

The cherry on the cake is what Mr Charpentier refers to as the "qualitative improvement" of this year's clientele. The number of chauffeur-driven vehicles being rented is, he says, "rising vertically". The occupancy rate of four-star hotels in July exceeded 80 per cent, 14 points up on a year ago.

Yet the overall buoyancy seems to have masked the continuation of another less welcome trend; demand for accommodation from visitors from the rest of France has stayed relatively soft, according to the tourism committee, although some suggest even this may have picked up in recent weeks.

This appears to be a long-term phenomenon: a study by Insee, the national statistics institute, found that 16.5 per cent of French households who spent their summer holidays in metropolitan France in 1994 spent them in the Provence-Alpes-Côte d'Azur-Corsica region, down from 17.6 per cent in 1986.

It is also relative – 16.5 per cent was the best score, ahead of the 11.4 per cent earned by neighbouring Languedoc-Roussillon in second place. Anecdotal evidence suggests the area around Saint-Tropez in particular was still full of top French decision-makers enjoying a well-earned break.

But it perhaps helps to explain why 1985 remains the Côte d'Azur's record year for visitors – a distinction it is not thought likely to lose this year, in spite of the recovery.

Several reasons are offered for this situation. Jean-Paul Cordero, president of the Côte d'Azur hoteliers' federation, attributes it partly to promotional campaigns by other regions. These, he suggests, have resulted in a more even dispersal of French holidaymakers around the country.

A number of west coast destinations, such as the Ile de Ré, where prime minister Lionel Jospin spent his summer break, bathing, bicycling and rereading Balzac, have become formidably trendy, with some commentators attributing this to a supposed tendency for the French to hanker after the simple life.

Furthermore, far-off and exotic destinations, such as the island of La Réunion in the Indian ocean, where president Jacques Chirac whiled away part of August, have become attainable for a greater proportion of French holidaymakers. "The competition has diversified a great deal in the past 20 years," says Mr Charpentier. "The competition for us is worldwide."

He also points to a recent tendency for French holidaymakers to stay with relatives, or in second homes, rather than in hotels – a trend that can be put down, at least in part, to the country's sluggish economic growth and stagnant living standards.

Finally, some even say French holidaymakers may have decided at short notice against heading south because of good weather in other traditionally wetter and chillier parts of the country.

Whatever their attitude to holidaying on the Côte d'Azur, however, the French do not appear permanently to have gone off the region. Au contraire. A recently published study* of French demographic trends between 1990 and 2020 suggests that while overall French population growth is likely to be about 12 per cent, growth in Provence-Alpes-Côte d'Azur – essentially the south-east corner of the country – may be 30 per cent.

The study predicts a high immigration rate to the region among all age groups. Indeed, with population growth in nearby Languedoc-Roussillon expected to attain 37 per cent, a US-style shift to the sun belt appears in prospect, with considerable political and environmental consequences.

**Projections démographiques régionales de la France. Ministère de l'Aménagement du territoire, de la ville et de l'intégration, 20 Avenue de Ségur, 75302 Paris.*

The Monday Profile: Sir Anthony Bamford

Long-term approach lifts off

Twenty years ago, Sir Anthony Bamford, chairman of JCB, the UK construction equipment company, asked some of his designers to make a wooden model of a new kind of industrial lift-truck.

Last week, the machine finally made it off the drawing board and into the public arena, to general praise from the lift-truck industry. JCB, it seemed, had made what was, for a British manufacturer, a rare technical breakthrough in a mature, international business.

For Sir Anthony – whose family owns JCB and who took it over 22 years ago from his father – the long gestation period between idea and finished product exemplifies his company's long-term approach.

Sir Anthony says he spends most of his working time thinking about products and planning the company's future. He is at the helm of one of Britain's biggest private manufacturers and Europe's largest maker by volume of construction machines. Sir Anthony is grateful that there is no need to brief shareholders or City analysts. "I don't have to spend much time being nice to people," he says.

JCB's Teletruk picks up goods using a pivoted, telescopic arm rather than the normal lift-truck mast – a feature which JCB claims will make it safer and more efficient. Some competitors have warned that JCB will find it tough to win acceptance for its innovation in an industry dominated by large groups such as Linde of Germany and Nacco of the US. On JCB's side is the company's marketing panache. Prior to the lift-truck launch, JCB organised a 10-month campaign to introduce the product to several thousand companies.

But, although his company's products are a household name in much of the developed world, Sir Anthony has a fairly low public profile. Even JCB headquarters is well off the beaten track in the small town of Rocester in the English Midlands.

British factories tend to be down-at-heel affairs often built on shabby industrial estates, but the Rocester plant looks on to a large man-made lake and has stylish paintings in the foyer.

Neither does Sir Anthony fit easily into conventional categories. To outsiders he comes across as charming, but he has the reputation for being extremely tough with suppliers and dealers. "Like many people who own the companies they are running, he has his autocratic side," says one acquaintance.

As befits someone whose father built the company from nothing in 1945 – its first premises were a garage – Sir Anthony is a strong believer in the "enterprise ethic". In the 1980s, he supported the Conservative party with large but undisclosed donations. Margaret Thatcher, then Conservative prime minister, once chose the Rocester factory as a site for a party rally.

Sir Anthony still professes scepticism about many of new Labour's ideas, but he has moved closer to Tony Blair. Last October, while the prime minister was still in opposition, Sir Anthony invited him to Rocester. The two men got on well, so much so that Mr Blair lavished public praise on JCB as the kind of company Britain should encourage.

To Labour activists, these comments rankled. In some quarters, Sir Anthony is regarded as a "fat cat". All the Bamford family shares in JCB are registered in an offshore trust, while Sir Anthony uses a JCB helicopter to be whisked between his £10m ($16.3m) Gloucestershire home and his corporate empire.

But to others, the Bamford family's finances are their own affair. The helicopter, rather than a personal luxury, is seen by Sir Anthony more as a business tool: it ferries customers to inspect new JCB products thus helping to extend the company's steady growth. Sales last year were £750m, double the figure of 1992. Three-quarters of revenue comes from exports.

Sir Anthony's desire to build up manufacturing strength should strike a chord with many Labour supporters. Lift-trucks are just the kind of product most UK industrialists have stopped producing over the past 30 years.

"If Britain wants to be an important manufacturing nation again, this kind of venture is what we need," says Bob Bischof, a German industrialist who has advised Labour on its industrial strategy. Many Old Labour hands, who look down on service activities as inferior to manufacturing, will warm to Sir Anthony's thoughts about the jobs his lift-truck venture is creating.

So far, the project has kept 60 people employed. And, if Sir Anthony hits his sales targets, this number could rise to several hundred by the turn of the century. Of the new workers employed in actually making things rather than adding to the size of the service sector, Sir Anthony says: "They are not flipping hamburgers."

Peter Marsh

FT GUIDE TO:

BOSNIA

Once again Bosnia seems to be falling apart but this time it's Serb against Serb. After fighting the Moslems and Croats for nearly four years why are they now turning on each other?

The Serb old guard under Radovan Karadzic effectively lost the war at the end of 1995 when Nato finally launched its air strikes. But the hardline faction still clings to power. It has refused to comply with the US-mediated Dayton peace accord that envisages a unitary Bosnian state divided into two sections – the Moslem-Croat federation and the Serb "entity" officially known as Republika Srpska. The old guard's authoritarian and extremely corrupt regime has provoked enough of a backlash to bolster the once weak position of Biljana Plavsic, Mr Karadzic's successor, as the president of Republika Srpska.

So, it's an old-fashioned struggle for power. Mrs Plavsic seems to be enjoying the full support of Nato. Does that mean she's the great hope for a fully integrated, multi-ethnic Bosnia?

Unlikely. During the war, Mrs Plavsic was seen as an arch-nationalist ideologue who won over the Serb army's rank-and-file with much publicised visits to the frontline. On the other hand, she says she is broadly committed to the Dayton goals. That means remaining part of Bosnia rather than creating a sovereign Bosnian Serb state or merging with neighbouring Serbia along the lines of the old nationalist dream of a Greater Serbia.

Does it really matter what the Serbs get up to in their impoverished backwater? There's not going to be another war, is there?

Probably not. The demoralised and emasculated Serb army is now firmly under Nato's thumb. But recent events illustrate the growing sense of desperation among the Karadzic hardliners as well as their ability to whip up mobs through a propaganda machine that portrays Plavsic as a traitor and Nato soldiers as an occupying army. If the situation deteriorates badly you could see hordes of refugees on the move again. Also, if Nato pulls out on schedule by next June, a weakened and divided Serb sub-state could be a tasty morsel for the Moslem-dominated federation army – now well equipped and trained by the US.

What a mess. Will Nato pull out? Can Plavsic pull it off?

Bill Clinton, the US president, is under pressure from Congress to withdraw or reduce the 8,500 US troops in Bosnia. But there is a growing realisation that Nato will have to stay on. Underlining US backing for Mrs Plavsic, Robert Gelbard, Washington's special envoy, warned hardliners on Saturday of "the most serious imaginable consequences" if they did not comply with the Dayton peace accord. Against most expectations, Mrs Plavsic controls about half of the Serb entity and is imposing her authority over police forces and the media in the north-west, which is more populated and less poor than the hardliners' stronghold in the east along the border with Serbia.

What about this talk of elections? Can't the Serbs resolve their problems through the ballot box for a change?

Mrs Plavsic dissolved parliament last month and has called for elections on October 12. The hardliners responded by intimidating the Constitutional Court into overruling her decision, and the ruling Serb Democratic party kicked her out. It appears the party, which itself is disintegrating, will do all it can to stop the elections.

Are the two factions at least talking?

Not any more. The "government" controlled by the Karadzic faction in Pale village in eastern Bosnia has cut off dealings with Mrs Plavsic in Banja Luka, a town in the north-west. The power struggle is being played out through control of TV transmitters. Neither side would feel safe in the other's territory and Mr Karadzic wields his power covertly thanks to his special police forces.

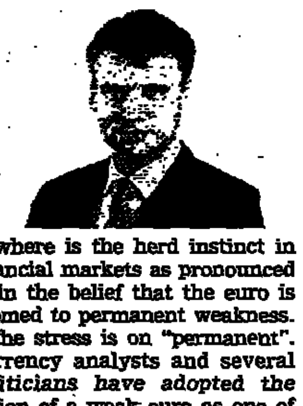
Since he's an indicted war-crimes suspect wanted by the UN tribunal in The Hague, why doesn't Nato just go in and remove him?

Much has been made of Mr Karadzic's well-guarded villa in Pale surrounded by farmsteads and homes of ordinary Serbs. But Nato sources say the problem is not so much the snatch operation itself but the possible repercussions. The arrest of Mr Karadzic could lead to violent reprisals against members of international agencies and Nato, as well as undermining Mrs Plavsic's position among most nationalist Serbs. Better to wait for Mrs Plavsic to impose her full authority, through the ballot box if possible, than pile on the pressure for his surrender.

While this Balkan end-game plays itself out, what is life like in the Serb-controlled half of Bosnia?

Fairly miserable. The average wage is less than $100 a month and many state employees have not been paid for months. Apart from agriculture and the plundering of central Bosnia's forests, the economy is virtually non-existent. Mrs Plavsic's trump card is the promise of international aid if the hardliners are removed and Republika Srpska co-operates with Dayton. Meanwhile, Bosnia as a whole has four currencies, two armies, a central bank with limited authority and little security of movement of people in areas under the control of different ethnic groups.

Guy Dinmore



Wolfgang Münchau · Economics Notebook

Weakness of euro just a myth

The new European currency could surprise sceptics with its strength

Nowhere is the herd instinct in financial markets as pronounced as in the belief that the euro is doomed to permanent weakness.

The stress is on "permanent". Currency analysts and several politicians have adopted the notion of a weak euro as one of the great certainties of our time. US fund managers are so dismissive of the future European currency that they rank it somewhere between the Albanian lek and the Thai baht. The D-Mark's weakness against the dollar is the clearest symptom of the euro's questionable reputation.

The myth of a weak euro rests on three assumptions. The first and least questionable is that European economic and monetary union will start on time in 1999 with a large membership base, including Italy, Spain and Portugal. Second, it assumes that these three countries – and maybe others – would return to inflationary fiscal policies the minute they are admitted to Emu. Third, European Union unemployment would remain high because of "inflexible" labour markets – a catch-all argument to explain Europe's recent economic failures.

Whatever the merits of these assumptions, this forecast misjudges two important recent trends. European economic growth is at last picking up, and the Bundesbank, the German central bank, appears determined to counteract EU-wide inflationary expectations.

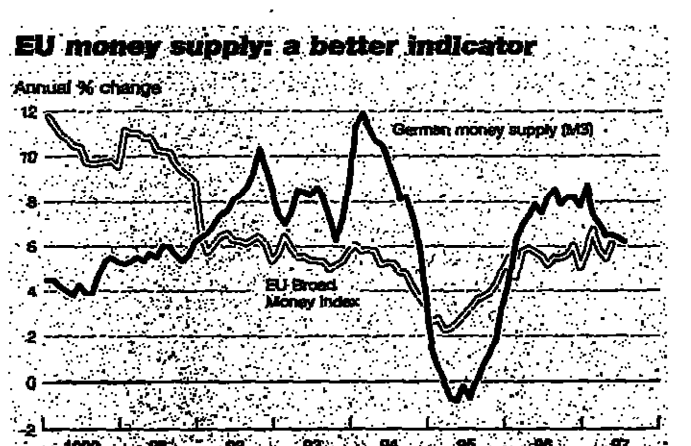
The role of the Bundesbank is critical. Until recently, the consensus was that short-term interest rates in Germany would remain at 3 per cent until the start of Emu. From a purely German standpoint, that rate does not seem entirely unreasonable, as Hans Tietmeyer, president of the Bundesbank, explained last week. But the current rates are less appropriate for the Netherlands, Spain or Ireland, whose economies are ahead in the economic cycle and have been growing much more strongly than that of Germany.

Yet the domestic interest rates of each of these countries closely mirrors German rates. Averaging out, the combined interest rates in the prospective member states of Emu are probably lower than they would normally be at the current stage in the cycle.

The Bundesbank did not raise its securities repurchase rate last week, but there is a good chance that it may do so at some point this year, especially if the D-Mark were to weaken further against the dollar. The idea that a rise in German interest rates could be helpful for Emu would have been laughed out of court only a few weeks ago. It seems much less laughable now.

The Bundesbank insists on orienting monetary policy purely towards the needs of the domestic German economy. With only 17 months to go until Emu, the goal has remained the same, but the means are becoming more complex. Any build-up of inflation outside Germany will invariably spill over into Germany after 1999. To fulfil its legal obligation of ensuring price stability, the Bundesbank must therefore take into account the whole of the EU, and not just Germany.

In some respects it may even be easier to formulate a pan-EU monetary policy than a purely national one. The chart above shows that M3, the broad measure of money and the Bundesbank's policy barometer, has behaved much better for the EU as a whole than for Germany alone during most of the 1990s.



So what does all this mean for the euro? First of all, the Bundesbank's determination to counteract inflationary expectations is bound to be matched by the European Central Bank.

As a central bank, the ECB will be more independent than the Bundesbank, since its independence is rooted in the European treaties, and not merely in ordinary law as in the case of the German central bank. The Bundesbank has to support the economic policies of the German government, while the ECB operates under no such constraint.

As a new central bank, the ECB will be keen to establish credibility early on. Given the continued anti-inflationary hawkishness among the EU's central banking establishment, combined with wage moderation and competitive markets, there is little risk of a sustained inflationary surge.

EU central bankers are aware that inflation would pose the biggest political risk for the new currency. Since it is the ECB's primary objective to ensure price stability, its board of governors can be relied on to choose a monetary policy that errs on the side of caution. If the ECB failed in achieving its primary objective, it would not only put its own independence at risk, it may also jeopardise the entire Emu project.

Yet, if the ECB succeeds in its primary objective – as one might expect – the euro would strengthen, unless of course the Emu zone were to languish in permanent recession.

Judging by the latest economic statistics, the prospects of permanent recession seem remote.

The long-awaited economic upturn may even have started during the second quarter of this year, with an EU-wide annualised growth rate of 5.2 per cent, according to a recent J.P. Morgan estimate. The EU's forecast current account surplus is estimated at $114bn (£70bn) in 1997, much higher than Japan's.

Admittedly, the economic upturn is export-driven, helped by the recent devaluation of EU currencies. But this is the early stage of a cycle. It is not inconceivable that the EU economy might be growing at a sustained annualised rate of more than 3 per cent in 1999, the year Emu is due to be launched.

If the euro is associated with a booming economy, it might become popular among the general public, contrary to what opinion polls currently suggest. By contrast, most Europeans would remember the 1990s as a decade of austerity and low growth. The euro's popularity might only be a temporary phenomenon but it might help sustain the currency politically in its early years.

If the Emu environment is characterised by low inflation, accelerating growth, and a hefty current account surplus, it is difficult to see how the euro could be permanently weak.

It is, of course, possible that the currency may be temporarily weak. Currency markets fluctuate, and they may fluctuate even more in the future, as some forecasters suggest. The euro might, for example, trade at a temporary discount against the dollar until the ECB has established credibility with the markets.

But such fluctuations are largely irrelevant in the long run. At issue here is permanent – structural – weakness. There is little sign of that happening.

If anything, there is a greater risk of a more familiar problem. Far from being too weak, the euro may end up being too strong.

MANAGEMENT

The art of good business

Forget the scientific approach – managers should emulate artists, reports Victoria Griffith

Bromley

The names Rembrandt, Picasso and Van Gogh are more likely to evoke images of paintings to covet than people to emulate. Yet success in today's competitive business environment requires the mindset of an artist, argue Richard D'Aveni of the Amos Tuck School of Business at Dartmouth in the US and Gary Hamel of the London Business School.

Both believe management theory has been masquerading as a precise science for too long. Prescriptions for better-run companies are often presented as absolute truths. In the 1980s, for example, building market share became the Holy Grail of the business world; later re-engineering was the prevailing mantra.

Such ideas are valuable as a point of view, the two theorists told a recent annual Academy of Management meeting in Boston, – but nothing more. "Management is more art than science," says Mr D'Aveni. "No one can say with certainty which decisions will bring the most profit, any more than they can create instructions over how to sculpt a masterpiece. You just have to feel it as it goes."

Mr D'Aveni and Mr Hamel reject formulaic management techniques in favour of a more fluid approach. Once executives realise there are no set rules, they might be more willing to discard conventional ways of thinking. It is a good time to be a maverick, they say, since old ideas have never been as useless as they are in today's business environment. "Companies should throw out the old ideas and let their imaginations flow," says Mr Hamel.

Mr D'Aveni, in particular, believes industries are experiencing a time of such rapid change and "hyper-competition" that companies are in constant danger of losing their position in the market. Improving technologies, globalisation and the speed at which information is disseminated mean barriers to entry have collapsed and corporate advantages can erode almost overnight.

Mr D'Aveni cites the Seattle-based gourmet coffee chain Starbucks and the software group Microsoft, two companies that went from obscurity to household name-status in the US within a decade. "With things moving this fast, once-important techniques like corporate vision become meaningless," he asserts. "Companies have to constantly re-think the whole business."

To Mr Hamel, the momentum of brand-names and strong relationships with customers and suppliers provide some degree of continuity. "Microsoft would have to ignore totally their products for at least three years before we'd see its market share fall," he believes. Yet the advantages of seniority are almost beside the point in today's markets, he says. Companies should measure their success not by the fact they are still around and making money, but by how many opportunities they have missed.

Mr Hamel believes International Business Machines should look on Microsoft's very existence as a failure on its part to capture a new market. Traditional coffee brands such as Nescafé and Maxwell House should view Starbucks as a golden opportunity for expansion that somehow slipped through their fingers. "The danger in today's environment is that the competition may not attack you head on, but eat away at growth opportunities over time until they've made you irrelevant," says Mr Hamel.

Avoiding this fate, say Mr D'Aveni and Mr Hamel, depends on managers' willingness to discard old orthodoxies. If executives wish to fulfil their true potential, they must be willing to change the rules themselves, in the same way Van Gogh and Picasso revolutionised the art of painting during their lifetimes.

Richard Branson, chief executive of Virgin, is an example of a corporate artist, according to Mr Hamel. He changed the concept of what an airline should be by stressing the fun of flying. Challenging such conventions is one of the best ways to bring about success in today's business environment.

"Industries are full of meaningless conventions," says Mr Hamel, pointing to hotels as an example. "Why, for instance, should people only be allowed to check in at 2pm and forced to leave by noon the next day, or pay an extra night? I rent a car for 24 hours, and choose the time of pick up and drop off. Hotels could do the same."

While executives must be wary of management techniques that are presented as gospel, certain mind-sets makes original thinking in the business environment more likely, say Mr D'Aveni and Mr Hamel.

Concentrating on the customer, may be the best way to spark creativity, they say, pointing to the supermarket chain Tesco. "Tesco changed the way it dealt with its customers by having smart cards to track purchases and reward its most loyal buyers," says Mr Hamel. "It changed the rules of the industry."

Business people should constantly question the very definition of their industry, they say. Until last year, the US book store chain Barnes & Noble was concentrating most of its efforts on fighting rival Borders for market share in the physical world, building mega-shops within a stone's throw of its competition. "But then along came Amazon.com [the internet book shop] and all of a sudden, the very idea of a book store is different," says Mr Hamel. This year, Barnes & Noble made a large commitment to the world wide web to fend off the new threat.

It is easy to accept the argument that companies would be more successful if all managers were as creative as Mr Branson or Bill Gates, Microsoft's chairman. But is that a realistic goal? Mr Hamel believes it is, and has started a special consulting group, Strategos, in California, to accomplish that task. "I think being like Branson is something that can be learned, to a certain extent," he says. "Most famous artists went to art school."

While few art school graduates become Picassos Mr Hamel believes "You can still elevate the level of their work by teaching them to be heretics. That's what I aim to do."

Colin Beere

Barker (left) and Becher-Wickes: 'humans must add value to a product'

PARTNERS

Ideal Hardware

James Becher-Wickes and Simon Barker, both 37, founded Ideal Hardware, in 1986. Their Surrey-based company distributes data storage products, including CD-Roms and optical disks. In 1995, they launched a satellite television station which provides a daily information programme for their customers. Their annual turnover is £170m.

James: "Simon joined me around the time everyone was wearing bright red braces, including accountants. I advertised for a financial controller, then felt intimidated by the way most of them were dressed. It wasn't until he shuffled in carrying a Woolworth's bag that I knew I'd found a partner. He came across as fairly meek and mild, which wasn't, as I later discovered, the case at all.

Within four weeks of trading, he tried to talk me out of our first deal, because he thought this particular US company was run by cowboys. Being a typical marketing sales person I said 'Don't worry about it,' then the company went bust the day we transferred our £250,000 of venture capital. Fortunately, our bank had made an error so we got the money back.

The next disaster came a few years later, after Simon and I got carried away with our success. We invested heavily in a company making fax/modem cards only to find we'd completely over-estimated the market. It got so bad Simon was doing cash flow forecasts twice a day. Even our sales force offered to work for commission only, which is something we carried on when business improved.

I'm convinced we won't need humans to sell us mundane products in the future, we'll simple buy everything via the internet. Humans must add value to a product which is why my sales team are at the forefront of technology."

Simon: "Our business philosophy: 'knowledge is everything,' is very much driven by James. He's constantly reading about the industry so he knows exactly where the market is going. He seems to possess ultimate knowledge which is extraordinary when you consider there are 200 new product releases a week.

If he has a problem, it is in justifying his existence within the company. Whereas I can demonstrate the efficiency of an operating system, his work in marketing is more nebulous. He's very strong on corporate identity and customer service which are areas that are difficult to quantify financially. The day he bounded into the office saying we needed to start a satellite television station for our customers, I should have taken the accountants line and said, 'It'll cost millions, whereas the return on the investment?' Instead, I bought into the idea. I've worked with him long enough to know that my job is to make things happen, as opposed to finding reasons why they won't, or can't.

In fact James has dyslexia where numbers are concerned, so he's no longer allowed to talk about them. We've had too many embarrassing situations in front of City analysts. He'll get simple things wrong, like gain or lose a dozen employees in the space of 24 hours. Whereas I inherently understand the relationship between a sequence of numbers, that never happens in James' head. Consequently, he isn't allowed in the City alone, except at our peril."

Fiona Lafferty

Measured by a Big Mac

Diane Summers on a UBS global wages survey

Employees in Zurich, Geneva, Tokyo, Luxembourg, New York, Houston and Los Angeles have the highest take-home pay, once taxes and social security contributions have been deducted.

At the other end of the scale, the lowest net hourly wages are paid in Nairobi, Bombay, Shanghai, Budapest, Moscow and Manila, according to a survey of international prices and wages published by the Union Bank of Switzerland.*

UBS looked at 12 occupations across the globe, including primary school teacher, bank clerk, labourer and mechanic. An experienced operations manager, about 40-years-old, in the production department of a metal working company would earn $73,500 (£46,000) a year net in Zurich, while the figure for London would be $30,800 and $3,300 in Nairobi.

UBS's most intriguing analysis is of differences in purchasing power, as measured by how many minutes it takes across the 12 occupations to earn enough to buy a Big Mac hamburger – a food item that is pretty standard in quality around the world.

The average wage earner in a North American city has to work 11 minutes to earn a Big Mac, while the cities of western Europe and the middle east also come in below the global average of 37 minutes – in Paris and Brussels, for example, it takes 21 minutes, Madrid 34 minutes, and Stockholm 22 minutes. Meanwhile, workers in Nairobi labour more than three hours.

As for hours worked over a year, the highest figure was an average of 2,149 in Asian cities, and 1,773 in Europe. Those in Berlin and Frankfurt had the greatest number of paid holidays, with 30 days a year.

The average for Shanghai was 1.2 days a year, Mexico City 8.7 days and Taipei nine days.

Prices and Earnings Around the Globe. Free from any UBS branch or UBS Economic Information Centre, PO box 8021, Zurich. Also on http://www.ubs.com/research/eco/global/pea

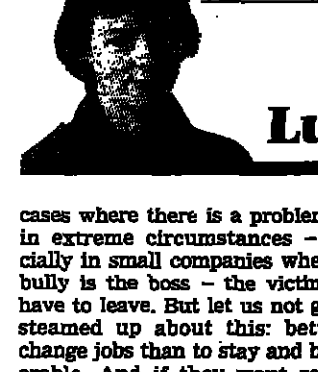
The taste of living

How long the average wage-earner has to work to buy a Big Mac

Longest time: City	Minutes	Shortest time: City	Minutes
Nairobi	193	Chicago, Houston, Tokyo	[illegible]
Caracas	117	Los Angeles	10
Moscow	104	Hong Kong	[illegible]
Jakarta	103	Toronto, New York	12
Budapest	91	Luxembourg	13
Bombay	85	Montreal, Sydney, Zurich	14
Manila	77	Athens, Geneva	15
Shanghai	75	Frankfurt	16
Mexico City	71	Vienna	17
Prague	56	Berlin	18
		Amsterdam, Dublin, London	19
		Copenhagen, Kuala Lumpur, Taipei	20

Source: UBS

Keeping the workplace bully in perspective



Lucy Kellaway

"Just leave me alone. *Please.*" Tim Reece-Evans looked at the camera, his voice breaking. There he was, a big blubbery man, vulnerable and pathetic, still living at home with his mum and dad. For years he had been taunted, humiliated and attacked by his fellow factory workers.

The BBC treated us to this sad sight on Saturday night in *Bully: An Occupational Hazard*. "One in two people have been bullied at work" it warned at the beginning of the programme and showed us three case histories, complete with tears, mental breakdowns, shattered lives.

Such hysteria does not advance the subject much. It is all very well to be exercised about bullying at school. Children need protection from other children's cruelty. But adults are altogether different: the victims are usually better able to look after themselves, and the perpetrators rather more subtle in how they go about it.

It would be stupid to pretend that bullying at work does not exist, or that it is not horrible for those at the receiving end. But I object to its new status as a top workplace problem that needs workshops and codes of conducts and all the rest of it.

For a start, what counts as bullying? Putting industrial grease and pornographic pictures in Tim Reece-Evans's lunch box was a clear cut case; but the programme's other examples were more uncertain. The modern tendency is to talk of bullying as any case in which one member of staff is horrid or unfair to another. But if that is what bullying means, it is everywhere you look. Human nature is like that.

While bullying is a fact of life, the answer is not to turn us all into a nation of potential victims. The answer is better management in general, which means making everyone happy with their work, and confident that they will be recognised for their efforts. Of course there will be cases where there is a problem, and in extreme circumstances – especially in small companies where the bully is the boss – the victim may have to leave. But let us not get too steamed up about this: better to change jobs than to stay and be miserable. And if they want redress, that is what industrial tribunals are there for.

Who are the country's best leaders? And what is leadership all about? KPMG has set about answering these questions by phoning senior managers of Britain's larger companies and asking them. The results are telling, although not about the nature of leadership. Instead, they show that when it comes to knowledge of other leaders, our managers are sadly wanting. According to them, Britain's second best leader (after Richard Branson, who is the unimaginative choice for the number one slot) is Sir John Harvey-Jones. Don't they know that it is 10 years since he retired from Imperial Chemical Industries and that his success there was controversial? Equally eccentric is the choice of ICI as the best company for developing its own managers. If it is that good, one wonders why the present chief executive was recruited from Unilever. Second best in this category is British Telecom, which has a history of losing its top people and replacing them from outside.

Still more puzzling is the approach to management gurus. The respondents were presented with a list of obvious suspects (Peters, Porter, Handy, Hamel etc) and asked which of these thinkers had influenced their business ideas. The result was one big blank: three-quarters of the managers said that none of the gurus have had any effect on them at all. Two rival conclusions present themselves: either these managers have their heads so deep in the sand that they have no more inclination to read the management gurus than to catch up with basic business news in the papers. Or they are sensible, independent-minded people who are impervious to fashion. Which explanation do you think more likely?

Another example of the public sector belatedly copying the private sector's management gimmicks, and getting them twisted in the process. Last week Frank Dobson, the health secretary, said that what the National Health Service needed was a touch of "rebranding". Apparently the health service became too fragmented under the Tories, and a new brand image is needed to bring it all back together again. In future letters from doctors and hospitals will have an identical blue NHS logo at the top, to remind us of the unity of the brand. Someone should tell Mr Dobson that a logo is one of the least important aspects of a brand (and I would dispute whether the NHS is best thought of as a brand in any case). The important part concerns reputation, and you only recover that by offering a decent service.

BUSINESS EDUCATION

In the first of an occasional series on teaching skills, **Della Bradshaw** looks at the case study

Learning from experience

The case study, which focuses on one company at a pivotal point in its development, is almost synonymous with the teaching methods of the big US business schools, especially Harvard. But you do not have to be American or a business school to reap the benefits.

In the west of England the Norwich Union insurance company is using the case study approach on its internal management courses.

Norwich Union overhauled its management training three years ago and brought in George Wallace, a faculty member from the University of North London, as management development manager. His job was to spearhead management training in the organisation.

With him Mr Wallace brought business school techniques as well as experience. "Essentially we use case studies to give outside, and non-insurance, values and examples," says Mr Wallace.

"We were looking for a vehicle to get people to think out of the box."

The very top band of managers still goes to business school to compare experiences with other organisations, but to date the company has found it economical to train junior, middle and many senior managers in-house through three programmes: improving operational performance, making strategy work and creating strategic advantage (to be re-named the high potential manager).

For each five-day course with a three-day follow-up the company currently pays the training division £1,200 plus the tutor fees. This system will be maintained for the middle and more junior management courses, but the company is at present in the final stages of negotiations with the Cranfield school of management for it to take over 90 per cent of the teaching on the high potential manager. (Mr Wallace's team will retain 10 per cent of the teaching.)

Managers on the three courses look at up to 10 case studies, most written at Harvard. They look at companies as diverse as British Telecom, Kwik Save and National Mutual, the US insurance company. Different aspects of the case are highlighted depending on the level of the managers involved.

Norwich Union chooses to use original copies of all the case studies which it buys through the European Case Clearing House, which is based at Cranfield. With a pack of case studies costing £50 per student it is not a cheap option, says Paul Henderson, personnel and training manager for Norwich's commercial insurance division. But it is an impressive one.

"When a manager picks up something with Harvard business school on it they know we mean business," says Mr Henderson.

Mr Wallace believes the case study approach does more than just provide the group with information about how another company reacted in a given situation. Usually small groups work through the case study and decide what they would do, involving managers in the group process and highlighting how individuals fit into the dynamics of a group.

"If you choose your moment you can re-invent a whole group of people," comments Mr Wallace.

There are some criticisms of the approach, he says, notably that case studies can date quickly. But overall Norwich Union's involvement with the technique has been positive – so much so, that the company sent some of its managers to the European Case Clearing House to learn how to write case studies themselves.

The result has been two cases about how Norwich Union operates. One is a case written about the company's IT strategy at its Dublin office. The other, written in July 1996, looks at the ill-fated collaboration between Norwich Union and Virgin Direct.

NEWS FROM

CAMPUS

MBAs get fed up and quit the job

Employers are losing some of their top people because they are failing to exploit the new-found skills of MBAs. These are the findings of a survey conducted by Imperial College Management School. A total of 98 alumni who graduated over the past 10 years responded to the questionnaire.

According to the survey, 57 per cent of alumni believed that employers did not take full advantage of their skills on graduation and 43 per cent believe that their employers still do not fully exploit their skills.

On average, managers change employer two or three years after graduation.

Imperial: UK, (0)171 589 5111

Wharton guys get a social life

Students at the Wharton School at the University of Pennsylvania have so much information to deal with about school events that they have jointly developed a software package with the school's computing staff to help sift out the appropriate data.

Spike 3, the latest version of the school's intranet-based communications software, uses "push" technology to extract and present individually customised information to the student without him or her having to hunt through databases.

Wharton: US, 215 898 5000

Business school goes it alone

Heriot-Watt University has floated off its business school, formerly a university department, into a charitable company.

The Edinburgh Business School, as it is called, will have opening assets of £2.65m and a turnover in excess of £7.5m in its first year. The mainstay of the school is its distance learning MBA.

The non-executive chairman of the school is Sir Donald MacKay, former chairman of Scottish Enterprise. Keith Lumsden is the professor in charge of academic matters.

Edinburgh Business School: UK, (0)131 451 3448

MARKETING / ADVERTISING / MEDIA

BRANDING

One plus one still equals two

Alison Smith on a bank's attempt to show that merger benefits customers

UK high street banks are often accused of making claims they cannot meet, so the new advertisements from Lloyds TSB seem refreshingly modest. The campaign, which starts today, tells customers about an event that happened more than 18 months ago: the merger of Lloyds Bank and the TSB Group.

The bank's research demonstrated a need to show that customers, as well as shareholders, were benefiting from the merger. The project underlines some of the marketing difficulties of bringing two organisations and their brands together. These include matching the advertising with the changes experienced by consumers, and moving to a combined brand personality.

The theme of the ads is that partnership between the two banks gives customers easier and more convenient banking through access to a more extensive network of branches and cash machines. The campaign will run for six weeks and is estimated to cost £5m ($8m).

Famous couples, such as Laurel and Hardy and cartoon characters Tom and Jerry, feature in the television ad, while posters show the two banks' corporate colours – green for Lloyds and blue for TSB – coming together. "We're saying that the two together are greater than the sum of their parts, and that one and one equals three," says Ford Ennals, director of marketing.

It is not clear how well consumers will respond to that message. In practice, having access to about 2,800 branches should make banking easier. But in some parts of the UK, such as Scotland, there are fewer outlets with less overlap between the two networks. The benefits are therefore limited.

There is also a risk of disappointed consumer expectations: depositing and drawing money will cover most branch transactions, but Mr Ennals says that, for financial advice or specific products, "we will encourage people to go to their home brand".

The group's mortgage brand, Cheltenham & Gloucester, runs its own advertising. But getting the balance right between the joint corporate campaign and the separate marketing of each bank is difficult. Mr Ennals believes that in about a year "people will naturally associate Lloyds and TSB together, as separate brands but a partnership".

Until then, advertising aimed at attracting customers must be finely judged. In terms of young people opening their first accounts, Mr Ennals admits that both brands are targeting the same market. Given the competition in personal financial services, neither can afford to relax its effort. But the aim of focusing those efforts so they are "complementary rather than competitive" will be easier said than done.

Eventually, the group's marketing team, its ad agency DMB&B and design consultancy Wolff Olins, must merge two corporate identities into one personality. A long-running association with the image of Laurel and Hardy, carrying echoes of the catchphrase "another fine mess you've got me into", may turn out to be a risky approach.

MARKETING

Opel takes unusual marketing route

Carmaker drops speed and luxury in favour of caring image, writes **Graham Bowley**

New tactic: Opel's German ad featuring its chief executive

In the approach to this month's Frankfurt motor show, one German carmaker is taking a different marketing route.

Instead of emphasising the speed, engineering or luxury features of particular models, the ads from Opel, a subsidiary of General Motors of the US, focus on the company's care for its workers and concern for the environment.

The campaign is unusual not just because the company highlights its role as a German employer but also because it involves its chief executive, an American.

Since March, readers of German newspapers have been greeted by the sight of David Herman, Opel's 51-year-old boss, posing purposefully alongside such slogans as "Wir starten durch" – We are on our way.

The company is one of Germany's biggest carmakers with worldwide sales last year of DM28.3bn ($15.3bn). But critics think that rival Volkswagen, with its successful Audi, Seat, Skoda and VW brands, has been stealing a march on Opel, which has suffered from concerns about deteriorating quality and lack of new products.

Opel has also become embroiled in the emotional debate about high unemployment in Germany. Since this has been fanned by job losses at several of the country's biggest companies, in favour of expanding sites abroad, Opel's US ownership and globalisation drive has not helped.

Some analysts believe the company's German credentials may have been further damaged by GM's dispute, settled in January, with Volkswagen over alleged industrial espionage.

The latest campaign tries to address these concerns by underlining Opel's commitment to the German Standort – the concept of Germany as a successful place to do business. "We wanted to say clearly that we are a German company and that we are a good corporate citizen," explains Dieter Schmidt, a spokesman for Opel. "We have been here all these years and globalisation does not mean Opel will neglect its home market."

The campaign emphasises new investments in east and west Germany. The ads featuring Mr Herman concentrate on Opel's plans to launch 26 models and model variants by 2001.

Alexander Demuth, the Frankfurt-based ad agency responsible for the campaign, insists Mr Herman's appearance has been a success, though he is being dropped from the latest stage of the campaign.

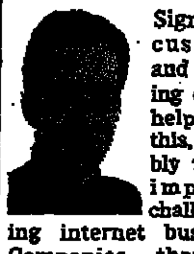
"We will continue with the same themes as before. But he was never meant to be the hero of the whole campaign, just one important part of the Opel universe," says Wolfgang Kusters, the agency's managing director.

Though it is a rarely used tactic, Peter Weissenberg at Werben und Verkaufen, a leading German marketing magazine, says that featuring company bosses can be effective. But the approach carries risks, he says. The company could be damaged if the person who has become its public face suddenly leaves.

And in addressing a sophisticated audience there is another danger, he says. "It might backfire if readers think the chief executive is having to appear to tell people everything is OK. [That might imply] things must be really bad."

Tim Jackson · On the Web

A roaming opportunity too good to pass up



Signing up customers, and persuading others to help you do this, is probably the most important challenge facing internet businesses. Companies that have responded intelligently to this challenge have often seen impressive results.

Netscape's idea of giving away beta software, the source of spectacular growth in its first months, has become standard. Amazon's affiliates program has turned thousands of web sites into a sales force for its online bookstore.

This column looks at the choices facing iPass (www.ipass.com), a company based in Mountain View, California. iPass's product is internet roaming – the facility allowing people to dial into the internet away from home, using an internet service provider they do not have an account with.

iPass was founded by Chris Moore, 34, former head of Asia-Pacific sales for General Magic. The idea came from an attempt to set up an internet faxing service. The best way to keep down the cost of internet faxing is to carry the fax over the internet as close as possible to its destination, popping it out on to the public phone network where the last leg of the journey will be cheapest. This raises difficult settlement issues, because the company sending the customer's fax over the internet is different from the company "terminating" the fax at the other end.

When his internet-faxing project came to nothing, Mr Moore realised that the work would be useful in a business that allowed a customer of one internet service provider (ISP) to use another ISP's network.

The issue of settlement is more significant than it sounds. When Global Internet, an innovative ISP in London, set up a Europe-wide roaming service called EuroGold, it found that German ISPs were reluctant to sign up on the assumption that roaming revenues from their customers travelling abroad would outweigh the costs of letting foreign customers on to their network. Without a settlement mechanism, the progress of the alliance has stalled.

iPass's solution is to set a price per minute that it pays an affiliate ISP for giving network access to a client, and a per-minute price that it charges for the same service. iPass's profit is the gap between the two. The per-minute charges are paid by the user's ISP: at wholesale, selling prices range up to 16.6 cents, and iPass's average gross margin is 18 per cent.

The business is growing nicely. The partners signed up to iPass have access in 150 countries. Its nearest competitor, AimQuest in Milpitas, California, appears to offer access in fewer countries, judging by its web site (www.aimquest.com).

iPass's system is elegantly designed and easy to use. When the ISP's customers wants to use the roaming service, they download a neat little piece of client software which takes about five minutes to install. They can pick a country and then a city. Thirty seconds and a few mouse clicks later, the program has created a program icon in Windows 95 which allows them to use the internet from any one of the network's 750 cities.

About 950,000 of the subscribers of iPass's partner ISPs – 5 per cent of the total customer base – are roamers who use the service. The average regular roaming customer is on the internet for five hours a month using iPass, and spends $30 (£18) for the privilege. The company's share of this revenue is the equivalent of a run rate of nearly $1.5m – a figure that Mr Moore expects to see quadruple within three months.

Yet that 5 per cent figure is troublesome. If iPass could increase take-up among its ISPs' customers to 20-40 per cent, it could see more dramatic growth.

The problem is that iPass charges its ISPs a $2 fee for each customer who roams during the month – even if the customer spends only one minute on the internet.

ISPs have responded to this in two ways. Some charge customers a sign-up fee for the roaming service. Others charge clients by the minute but keep the roaming service discreet to avoid encouraging those who would use it so infrequently that they would fail to cover the $2 charged by iPass.

This seems an opportunity missed. By imposing the monthly fee, iPass is discouraging ISPs and their customers from roaming. It should be doing the opposite: giving ISPs an incentive to encourage customers to try roaming for the first time.

In my view, iPass should abolish the $2 fee and make the first three minutes of roaming free. In return, it could ask ISPs to promote the service. Imagine the pitch: a banner on your ISP's home page saying: "Check your e-mail from Azerbaijan for free." The result should be higher take-up of the service, and utilisation that soon covers the cost of the promotion.

When I suggested this to Mr Moore, he appeared astonished. His customers, he said, seemed willing to pay the fee because the alternative was to pay international call rates to e-mail. But Mr Moore warmed to the idea.

If you see a banner ad on your ISP's home page touting the Azerbaijan offer, remember where you read it first. Meanwhile, iPass remains an interesting company to watch.

tim.jackson@pobox.com

Ad in the News · Reebok

Five-minute wonder in animation

Film star: animation form Ryan Giggs in Reebok's ad

Reebok has broken many of the unwritten rules of mass-market advertising with its new commercial. It will be seen mainly at the cinema; even though football stars Peter Schmeichel and Ryan Giggs are under contract with Reebok, we only see them in animation form; and, most daring of all, the ad is five minutes long.

It is more like a film, and even has a title: Doppelganger. It begins with Jimmy Hill, the football commentator, wondering what has happened to squeaky-clean Manchester United star Giggs who we see brawling in a pub. The answer lies in an underground laboratory where the dastardly rival team chairman Reginald Backhander has cloned Giggs. The "horrible" Giggs is to play in that day's cup final against United.

The "good" Giggs escapes to Wembley. There he convinces United's goalkeeper Schmeichel that he is real, partly by showing him his Reebok boots.

Giggs saves the game for United. The film ends with Backhander threatening to drop Jimmy Hill from a height if the crowd does not keep back: it rushes forward.

There follows a credit sequence and a "brought to you by Reebok" message. This, together with a similar device at the beginning, the shot of Giggs' boots and one of a Reebok ball flying through the air, provides the only clue that we are watching a Reebok ad.

Reebok agency Lowe Howard-Spink subscribes to the "better to be seen once than ignored three times" school of advertising. It reasons that, with the help of edited versions of the ad, it will reach a large and more relevant audience.

While Nike sells attitude, Reebok (UK) tries to market product attributes: Giggs would be nothing without his Reebok boots, so don't you wish you were in his shoes? In marketing jargon, Reebok continues to zag while Nike zigs.

The only British advertising comparable with this ad is Scottish Courage's Miller Time, which gave us three-minute spoof chat shows in a weekly television "programme" signposted by traditional 30-second ads. Expect more such media-led initiatives as advertisers strive to get their messages heard.

Stefano Hatfield
The author edits Campaign

ADVERTISING

Brands enter the classroom

Helen Jones on campaigns set to feature in pupils' books

As pupils return to school this week for the autumn term, some will find their exercise books have changed. Instead of the usual dull covers they will feature corporate logos and messages from sponsors such as Weetabix and PepsiCo.

Marketing company Lasting Impressions is giving its Jazzy Books to 700 primary and secondary schools in Britain. If the scheme is a success, it hopes to provide every pupil in Britain with free exercise books.

Marketing to schools is not new. The National Consumer Council estimates companies spent £300m ($489m) marketing to schools last year. Tesco, the supermarket chain, allows parents to collect points towards the purchase of school computers. But this is the first time companies have paid for essential resources.

"Schools spend £10m on exercise books each year," says Neil Eastwood, Lasting Impressions' programme manager. "Under this scheme they get the books free so cash can be used for other essential purchases."

Mr Eastwood says sponsors' messages are vetted to ensure they do not overtly advertise brands. "We have an ethical panel run by the National Confederation of Parent Teacher Associations that makes sure the messages and the artwork are suitable for use in schools. Sponsors are not allowed to say, 'Buy our product.'"

The company ran a pilot scheme this year sponsored by retailer C&A and glue brand Pritt to assess the reactions of teachers, parents and pupils.

"We ran messages promoting courtesy and consideration for others, and one page of the book features clothing which carried reflector strips so that children can be seen in the dark," says Mary Sangster, advertising manager for C&A. "We see our involvement as a corporate awareness campaign."

> 'Schools are faced with a dilemma but advertising has no place in schools'

PepsiCo is sponsoring the books. "We get involved in a lot of things that are of value to the community but it doesn't necessarily mean that our name will be splashed across the front page," the company says.

Margaret Morissey of the Confederation of Parent Teacher Associations says teachers and parents have to take a pragmatic view of sponsorship and funding. "We have to be realistic. Schemes such as Jazzy Books do provide real cost savings," she says.

But teachers and parents, unions and local education authorities have expressed concern about increasing commercialism in the classroom. One scheme causing disquiet is being proposed by Essex-based marketing company Imagination for School Media Marketing. It plans to pay 300 secondary schools £5,000 a year to carry poster advertising in school corridors, gyms and dining halls.

Len Gridley, managing director, says: "The first posters will go up in January and we are currently negotiating with a number of advertisers including retailers, cinema chains and the Central Office of Information which may run drugs awareness and other educational campaigns."

Mr Gridley says he has a preferred list of advertisers which includes driving schools, banks and building societies, and employers advertising weekend jobs. A second list which he describes as "a little more contentious" includes theme parks, cinemas, food manufacturers and retailers. Some advertisers, including confectionery and sportswear companies, will be banned.

Teachers' unions are opposed to the scheme. "Schools are faced with a real dilemma but advertising has no place in schools," says Eamonn O'Kane, deputy general secretary of NASUWT, Britain's second largest teachers' union.

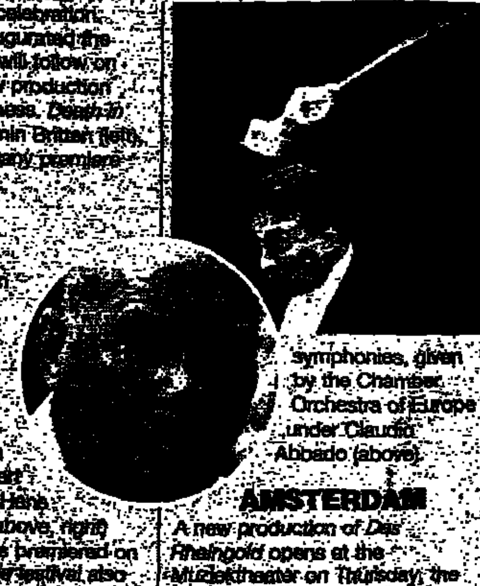
Ms Morissey adds: "Although £5,000 will help pay towards the cost of a teacher, we feel that children are targeted by companies almost from birth and that school should be one place where they are not subject to that pressure."

ARTS

OPENINGS

SAN FRANCISCO
After an 18-month renovation, the War Memorial Opera House re-opens on Friday with the San Francisco Opera's 75th anniversary gala celebration. *Tosca*, which inaugurated the building in 1932, will follow on Saturday in a new production starring Carol Vaness. *Death in Venice* by Benjamin Britten (left), receives its company premiere on September 11.

BERLIN
This year's Berlin festival focuses on German culture since 1945. The Berlin Philharmonic Orchestra plays Wolfgang Rihm's *Gesungene Zeit* in the opening concert on Saturday, and Hans Werner Henze's (above, right) Ninth Symphony is premiered on September 11. The festival also includes a cycle of Schubert symphonies, given by the Chamber Orchestra of Europe under Claudio Abbado (above).



AMSTERDAM
A new production of *Das Rheingold* opens at the Muziektheater on Thursday, the start of the Netherlands Opera's first-ever *Ring* cycle. Staged by Pierre Audi and conducted by Hartmut Haenchen, Wagner's tetralogy will be completed over the coming two seasons.

ZURICH
At the age of 73, Carlo Bergonzi is still charming audiences with his elegant tenor voice. On Saturday, he opens the 1997-8 season at the Zurich Opera House with a recital of Italian songs. On Sunday, the ballet ensemble gives the premiere of Heinz Spoerli's new Brahms ballet. Meanwhile, the opera ensemble visits Winterthur on Thursday for the first of four staged performances of Haydn's *Il Mondo della Luna*.

LONDON
Proms highlights this week include two concerts by the Royal Concertgebouw Orchestra (tomorrow and Wednesday) and the UK premiere of the opera *Venus und Adonis*, by Henze, on Friday.

Chips with Everything by Arnold Wesker opens at the National Theatre's Lyttleton stage on Thursday. Directed by Howard Davies, the cast includes Julian Glover and Rupert Penry-Jones.

David Hare directs a production of *Heartbreak House*, by George Bernard Shaw (inset, left), at the Almeida Theatre. The cast includes Richard Griffiths and Emma Fielding (left), Patricia Hodge and Penelope Wilton. The first night is Wednesday.

Emma Thompson and Phyllida Law in 'The Winter Guest'

Directors steal the scenes

Nigel Andrews reports on rampant egos at the Venice Film Festival

The festival to date has been a triumph for egomania. Both the best films, Woody Allen's *Deconstructing Harry* and Sally Potter's *The Tango Lesson*, plant their makers firmly in the middle of the screen. The British writer-director of *Orlando* plays a film-maker hurdling her creative block by pursuing a passion for Latin American dance and a Latin American dancer. Woody Allen plays a New York writer fraying at the edges as his fictionalised women mix with his real ones.

Since Venice's heraldic beast also stars in his own new movie – 20 swashbuckling seconds, preceding each competition entry, in which a boldly digitalised lion flies over the Grand Canal and St Mark's Square before settling on its pillar with a hi-fi growl and morphing into the festival logo - the moral is clear. Don't lurk behind the scenes or behind other actors; be a star in your own movie or movie event. (For many the lion's promo film upstaged what it was probably meant to celebrate: the arrival of a new festival director, Felice Laudadio, whose early days have been spent apologising for the chaos of overcrowded screenings.)

Deconstructing Harry is the best Woody Allen since *Husbands And Wives*. Tapping the same vein of marital and menopausal agony, it uses the same scene-stealers in leading roles (Allen and Judy Davis as bewildered scribe and jealous mistress) and again brings a mock-documentary immediacy to a convoluted story by mobile camerawork.

The film is horribly funny, with both words operative. The self-ingratiatingly gauche Woody who snuck into post-Mia Farrow films like *Manhattan Murder Mystery*, as if to show a trial-scandalised world what an innocent dear he really was, is replaced by a male ego on overdrive.

This hero is so appalled both by women and by his own destructive need for them that he treats them as walking Armageddons. He pursues them, flees them, then tries to defuse them with panic bouts of politically incorrect indignation. There are swear words that feminists won't like. And though he reserves the best chauvinist line – "Honey, you're in a state of pre-menstrual nuclear meltdown!" – for Davis, he might as well be using it on Kirstie Alley, Elizabeth Shue, Demi Moore or the rest of the film's vivid female line-up.

More on "Harry" when it opens in Britain. "Sally" may open less speedily. Potter's *The Tango Lesson* is a black-and-white film with no stars and not much plot. A painfully plain heroine (Potter) makes a pitch for romance, in a movie by an often painfully high-strung director (the Potter of *Gold*), here trying to loosen up to accommodate a love story.

Her character casts aside work on a thriller screenplay to go to Paris and fall in love with the tango. Her new passion is soon her new film subject; her handsome new dance teacher (Pablo Veron) is soon her new star and lover.

This Cinderella romance flirts with pain, humiliation and incongruity, and the unglamorous Potter - in a good light she resembles Isabelle Huppert, in a bad one Whistler's mother - spares none of them. The movie grows in bravery as it does in thematic resonance. It is about art, chance, destiny and faith, about God and godlessness, all inter-echoing in a philosophical comedy-musical that would appeal to both Fred Astaire and Freddie Ayer.

British cinema is all over the Lido. Unbelievably, and unbelievingly, it finds itself the modern festival world's favourite movie nation. Venice's "British Renaissance" sideshow has fielded sturdy epics like Gillies McKinnon's *Regeneration*, based on Pat Barker's World War One novel, alongside impromptus like Caryn Adler's *Under The Skin*. This flings expressionist colours across a story of death, mother-love and nymphomania, acted by a cast that believes every second and makes us do.

Even the less successful British-directed films, like Philip Saville's *Metroland* and Mike Figgis's *One Night Stand*, showed to packed houses. The first, a Julian Barnes-based comedy of 1970s life, plays like a Rank movie of the 1950s, complete with socking colour, jaunty music and ooh-la-la Frenchwomen. The second seems like an apology for past triumph from the maker of *Leaving Las Vegas*: Wesley Snipes and Nastassja Kinski in a cross-colour romance high on political correctness and low on drama or human credibility.

Britain's lone competition entry was the pretty if precious *The Winter Guest*. Here is the opposite of a director boldly acting: an actor, Alan Rickman, over-fastidiously directing. In a frozen fishing village Emma Thompson emotes in a Scottish accent while her real and fictional mother Phyllida Law clucks and soliloquises at her side. Three other generation-spanning couples - two elderly female gossips, two lovestruck teenagers, two beach-playing schoolboys - are intercut, exchanging elliptical, play-based dialogue that sounds like Samuel Beckett Lite.

Rickman over-choreographs both movement and dialogue, and the painted seascapes and synthetic snow add to the sense of fable about hope's horizons that is frozen not just in time but in a quaint, airless artifice. Lovely to look at, deficient to know.

Since the late-night slots have been filled with Hollywood extravagances – from Paul Schrader's *Affliction*, involving guns, sudden death and Nick Nolte, to President Harrison Ford having a bumpy flight in *Air Force One* – it has been hard to find foreign-language films at all in Venice.

Critics are a determined brigade, however. Expecting punishment, and getting it, they valiantly search out movies like France's *Seventh Heaven* or Italy's *Moonspins Between Earth And Sky* and *The Vesuvians*. These are twilight-of-the-century Euro-films whose very titles leave one pained and giddy and whose plots try hard - illusion/reality games (*Heaven*), flashbacks to ancient history (*Moonspins*), intertwining tales (*Vesuvians*) - while achieving little.

The best subtitled movie has been the plain Polish comedy *Story Of Love*, wistfully dedicated to the late Krzystof Kieslowski. Its writer-director-star Jerzt Stuhr, who played the lead in Kieslowski's *Three Colours White*, here plays four roles in four ominously interspliced tales of folly and desire.

Instead of Byzantine tedium, though, we have clever resonance. Stuhr, a squat, mournful clown, plays a kind of good soldier Schweik times four in the battlefields of love. He is a priest, a petty crook, a teacher and an army officer, all united by man's common, comical, complex quest for happiness. It is not a great film; but good is good enough in these parlous days of cross-Channel cinema.

Edinburgh Festival

Falling out of love with a thump, thump, thump

Peter Stein's production of *The Cherry Orchard* is Masterclass Theatre. A 1995 Salzburg Festival staging, which in turn built on his 1989 account for the Berlin Schaubühne, it came to Britain this last weekend to round off the Edinburgh Festival. The actors are highly skilled, the designs are charming, the whole show is sensitive and intelligent. And yet . . .

Directed and delivered as if it were the last word on *The Cherry Orchard*, this is the first production I have seen that put me out of love with this wonderful play. Why? Because it is, from first to last and in every respect, a mausoleum staging: exquisite, lethargic, dull. Every aspect of the play seems to have been mulled over except for the fact that its characters are alive. The production has been praised for its musicality, its body-language and its noises off. To me, however, it is precisely in these respects that it first reveals its over-artfulness and its insincerity.

Musicality. We know that Chekhov strongly objected to the slowness of Stanislavsky's staging of *The Seagull*. This *Cherry Orchard*, like every Stein staging, is woefully slow: three hours and a half, with only one interval. Some passages are faster than others, but nothing is ever fast, because Stein has to allow time to make sure every point registers. You can bet it does.

Every speech is delivered like a Wolf *lied*: an "An eine Aeolsharfe", or an "Um Mitternacht". The widespread and sustained *pianissimo*, the chanting *legato* and *portamento*; the way of either melodiously employing more than an octave of voice for a minor speech or drawing out a major speech on a single note of softly shimmering vocal tone; and oh! the tricksy pauses while the actors come to terms with their feeling and do a *recherche du mot juste*: all this thoughtful beauty, layered over the play like varnish rather than illumining it from within, puts it to sleep.

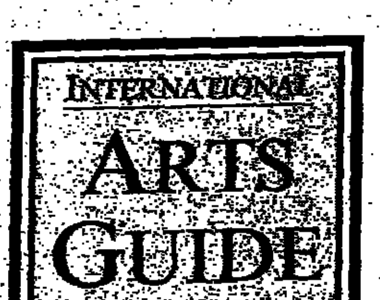
Body-language. Yepikhodov (Götz Schubert) earns his nickname – "two-and-twenty disasters" – by committing two-and-twenty disasters in every act. And he clownishly overdoes each one. In Act One, Yasha (Roland Schäfer) no sooner meets Dunyasha (Annette Paulmann) than, after apparent indifference, he suddenly sweeps her into a backbend, kisses her at great length, and then drops her on the floor. This, of course, so encapsulates their entire relationship that it gives you nothing to look forward to. So what happens in Act Two? He does the same backbend/smacker/drop routine all over again. In Act Three, Firs (Branko Samarovski) falls onto the floor in ill-health; then Lopakhin (Daniel Friedrich) falls onto the floor in drunken euphoria; then Mme Ranevskaya (Jutta Lampe) falls onto the floor in misery. Thump, thump, thump.

Noises off. According to Nemirovich-Danchenko, Chekhov threatened – after all the offstage noise in the Stanislavsky *Seagull* – to put a stage direction in his next play saying: "The action takes place in a country where there are no mosquitoes or crickets or other insects that interfere with people's conversations." In Stein's *Cherry Orchard*, when Ranevskaya *et al* arrive in Act One, the noise of dogs barking would put several hunt meetings to shame. The keys round Varya's waist jangle like the chains worn by Marley's Ghost. When axes start chopping the orchard down, they are heard from three sides of the auditorium. All these sound effects sound as amplified and as artificial as those "realistic" noises that Decca used to add to its opera recordings in the early years of stereo.

When theatre is great, you want to go back to see it again, to see "how it is done" - although, if you do return, you seldom do see "how" because the performers still give you so much to take in that you can't stop to analyse it. This *Cherry Orchard*, however, shows you "how it is done" all the time. And, really, we have seen it before: it is exactly the same experience as Peter Stein's *Uncle Vanya* (which closed last year's Edinburgh Festival). There, however, the Italian actors had an incisiveness that was preferable to the studied spell of these German and Austrian mastersingers.

The choreographer George Balanchine used to tell his performers: "Don't think, just do." He wanted immediacy, spontaneity, consciousness expressed in action. Reverse that approach, and you get this honed, studied, mulled-over, thought-out *Cherry Orchard*.

Alastair Macaulay



INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
European Union Youth Orchestra: Bernard Haitink conducts works by Beethoven and Bruckner; with piano soloist Emanuel Ax; Sep 3

■ EDINBURGH

EXHIBITION
National Gallery of Scotland
Tel: 44-131-624 6200
The Portrait of a Lady: Sargent and Lady Agnew. "Lady Agnew of Lochnaw" by John Singer Sargent (1856-1925) is the centrepiece of this exhibition which includes more than 20 portraits by Sargent himself – including Ellen Terry and Ethel Smyth – as well as works by his contemporaries and memorabilia from his studio; to Oct 19

Royal Scottish Academy
Tel: 44-131-624 6200
Sir Henry Raeburn (1756-1823): major exhibition of around seventy works by this most famous of Scottish painters, bringing together the works owned by the National Gallery with loans from around the world. The exhibition will travel to London; to Oct 5

■ FORT WORTH

EXHIBITIONS
Kimbell Art Museum
Tel: 1-817-3328451
Monet and the Mediterranean: "It is so beautiful here, so bright, so luminous! One swims in blue air; it is frightening!" wrote Monet from Cap d'Antibes in 1888. Bringing together more than 70 works, this exhibition presents the fruits of several journeys made by the painter: to the Italian and French Rivieras in the 1880s, to Venice in 1908; to Sep 14

■ KASSEL

EXHIBITIONS
Various venues
Documenta: giant five-yearly survey of contemporary art which takes place all over Kassel. Starting at the old railway station, this tenth edition has been selected by French curator Catherine David; to Sep 28

■ LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● Hausmusik London: performs Brahms' Clarinet Quintet in B minor and Mendelssohn's Octet in E flat major; Sep 4
● Royal Concertgebouw Orchestra: in a programme of works by Strauss, conducted by Music Director Riccardo Chailly; Sep 2
● Royal Concertgebouw Orchestra: conducted by Riccardo Chailly in a programme which includes works by Keuris, Bartók and Strauss; Russian pianist Arkady Volodos plays Rakhmaninov's Piano Concerto No. 2 in C minor; Sep 3
● Sir Charles Mackerras conducts a concert performance of Handel's Jephtha, performed by The New Company and Scottish Chamber Orchestra; Sep 1
● Yan Pascal Tortelier conducts the BBC Philharmonic in Mozart's Piano Concerto No. 25 in C major, K503, with soloist Alfredo Perl; and Ravel's Daphnis and Chloë, with the BBC Singers and Royal Liverpool Philharmonic Choir; Sep 4

EXHIBITION
Royal Academy of Arts
Tel: 44-171-439 7438
Hiroshige: Images of Mist, Rain, Moon and Snow – celebration of the bicentenary of Hiroshige (1797-1858), Japanese master of the coloured woodcut, whose landscapes provide an atmospheric picture of 19th century Japan; to Sep 28

■ LUCERNE

CONCERTS
International Festival of Music
Tel: 41-41-210 3080
● Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Schubert and Rihm. With violin soloist Rainer Kussmaul; at the von Moos-Stahl-Halle; Sep 1
● Budapest Festival Orchestra: conducted by Charles Dutoit in works by Berlioz and Liszt. With piano soloist Martha Argerich; at the von Moos-Stahl-Halle; Sep 3
● Budapest Festival Orchestra: and the Luzerner Festwochenchor conducted by Charles Dutoit in works by Berlioz, Debussy and Holst; at the von Moos-Stahl-Halle; Sep 4
● Oslo Philharmonic: conducted by Mariss Jansons in works by Beethoven, Strauss and Bartók; at the von Moos-Stahl-Halle; Sep 2

■ MONTREAL

EXHIBITIONS
Museum of Fine Arts
Tel: 1-514-285 1600
Exiles and Emigrés: The Flight of European Artists from Hitler. Focusing on the 12 years of Nazi rule 1933-45, this show – previously seen in California – explores the work of 23 artists during their years in exile, their continuing relationships with European societies and their impact on the United States; those featured include Salvador Dali, Max Ernst, George Grosz and Piet Mondrian; to Sep 7

■ MUNICH

EXHIBITIONS
Kunsthalle der Hypo-Kulturstiftung
Tel: 49-89-224412
Markus Lüpertz (b. 1941), one of Germany's leading artists, is the subject of a retrospective which includes paintings, drawings and sculptures from throughout his career; to Sep 14

■ NEW YORK

EXHIBITIONS
Museum of Modern Art
Tel: 1-212-708 9480
This retrospective of the Stenberg brothers promises to be MOMA's largest graphic design retrospective to date. Pioneers of advertising, the brothers are best known for the arresting posters they designed for Soviet cinema in the 1920s; ends tomorrow

■ ROME

CONCERTS
Auditorio di Via della Conciliazione
Tel: 39-6-6880 1044
Orchestra and Choir of the Accademia Nazionale di Santa Cecilia conducted by Daniele Gatti in works by Brahms: Concerto in D major, with violin soloist Uto Ughi, and Symphony No. 1 in C minor; Sep 3, 4

■ VENICE

EXHIBITIONS
Giardini di Castello, the Corderie della Tana and elsewhere in the city
Venice Biennale: The 47th International Art Exhibition is larger than ever, with 58 participating nations and a strong showing from the underdeveloped world. The theme of the central exhibition, at the Corderie and the central Pavilion, is "Future, Present, Past"; to Nov 9

■ WASHINGTON

CONCERTS
Kennedy Center
Tel: 1-2-2-467 4600
● National Symphony Orchestra Beethoven Festival: Leonard Slatkin conducts the Symphony No. 10 in E-flat major and Symphony No. 9 in D minor; Eisenhower Theater; Sep 5, 11
● National Symphony Orchestra Beethoven Festival: Leonard Slatkin conducts a programme including excerpts from The Creatures of Prometheus and Symphony No. 3 in E-flat major; Eisenhower Theater, Sep 6, 10

EXHIBITIONS
National Gallery of Art
Tel: 1-202-737 4215
Thirty-Five Years at Crown Point Press: 122 works on paper created by 48 artists at the print workshop founded by Kathan Brown as a community studio in the Bay area in 1962. The exhibition will travel to San Francisco; ends today

■ ZURICH

EXHIBITION
Kunsthaus Zürich
Tel: 41-1-262-0909
Birth of the Cool: wide-ranging survey of American art in the latter half of this century. Among the artists represented are Georgia O'Keeffe, Jackson Pollock, Andy Warhol and Chuck Close; to Sep 7

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Nonstop live coverage until 15.00 of European business and the financial markets

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Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Philip Stephens

Seize the day

David Trimble must face the IRA across the negotiating table for multi-party talks to have any chance of success

Talk to Tony Blair about Northern Ireland and the frustrations soon show. Politicians, he will tell you, are ever accused of duplicity, of cynical double-dealing for party or personal advantage. As often as not, they are hard put to refute the charge. On one issue, though, political leaders of all colours in Britain are driven by a desire to do the right thing. And yet never do the denunciations echo louder than when they set off in search of peace for Northern Ireland.

The thought must have crossed his mind more than once when he sat down in Downing Street last week with David Trimble, the leader of Ulster's largest unionist party. Mr Trimble's participation is vital if the multi-party talks on the political future of the province, due to resume on September 15, are to be anything but a charade. But, by all accounts, this was a rough encounter.

For over an hour, Mr Trimble inveighed against Mr Blair's treachery in inviting Sinn Féin (and thus the IRA) to join the talks. The prime minister had been duped by Republican gunmen. He was betraying democracy. Mr Trimble was not about to collude in this sell-out of the Union.

That, of course, is not Mr Blair's intention. There are many reasons why he decided to make a last push for peace in the early months of his premiership. Forcing the province's unionists into a united Ireland was not one of them. Mr Blair believes what he said in Belfast last May. If the border between north and south were eventually to disappear, it would not be in his lifetime.

In some respects, the so-called peace process was simply unfinished business from John Major's government. In spite of his tenuous grip on power Mr Major had taken risks. Secure in power for five, and more probably 10, years, I doubt whether Mr Blair would have done his reputation much good by refusing to give it even one shot.

He was also nervous, worried that if the momentum was lost, the province might simply have exploded in violence. Shut out from the political process, the IRA might have responded with a terrorist campaign as vicious as any seen in the last 30 years. As to the real intentions of the Republicans, well Mr Blair, like the rest of us, concluded it was impossible to tell. But there was sufficient ambiguity to make it worth a try.

Mr Trimble, of course, takes a different view. He sees the latest ceasefire as merely tactical, another step in Sinn Féin/IRA's strategy of replacing constitutional nationalism with violent Republicanism and subverting the relationship between the government and the unionist parties.

He has a point. Marjorie Mowlam, the Northern Ireland secretary, has judged the six-week Republican ceasefire sufficient to secure Mr Gerry Adams, the Sinn Féin president, and Martin McGuinness, its chief negotiator, places at the talks table. But she chooses her words carefully.

Mr Trimble's participation is vital if the multi-party talks on the political future of the province are to be anything but a charade

The cessation has been "unequivocal". That's not quite the same as genuine.

Sinn Féin/IRA has done nothing to reduce its military capability. Perhaps that is why Ms Mowlam remarked there had been no evidence during the ceasefire of "*active* targeting and paramilitary assaults which can be *directly* attributed to the IRA" (my italics).

So for Mr Trimble the idea of extending the hand of friendship to Mr Adams is repulsive. He is not alone. Mr Major once admitted the prospect of clasping a hand stained with so much innocent blood turned his stomach. I would wager that, privately, Mr Blair feels no differently.

But some time after September 15 the prime minister will bite his lip and do just that – as indeed Mr Major would have done in the same circumstances. By then, Mr Trimble will have had to make his choice.

So far he has kept his options half-open. Ian Paisley's hardline Democratic Unionist Party, predictably, will absent itself from the negotiations. There is no surprise there. In a peaceful Northern Ireland, the DUP would be irrelevant. Mr Trimble's consultation exercise among the wider unionist community has thrown up a different message. His party worries, of course, about being outflanked by the DUP. There will be many whispering in Mr Trimble's ear that he must not be the first unionist leader since partition in 1921 to face the IRA across the negotiating table.

Yet party activists even in his own constituency of Upper Bann are sure too that a unionist voice must be heard in the negotiations. Mr Trimble should listen carefully. He should also ask himself a question. How is it that, so often, the political representatives of Republican terrorism are judged by so many outside Northern Ireland to occupy the moral high ground?

Part of the answer lies in naivety, above all within the political community in the US. No doubt Messrs Adams and McGuinness will be fêted once again in Washington this week, the grieving families of the two Ulster policemen murdered by the IRA in July conveniently forgotten. But unionists cannot escape blame for their image abroad. They have been outsmarted by Republicans. Saying *no* has become a reflex, intransigence is worn as a badge of honour.

Mr Trimble has a chance on September 15 to prove otherwise. I would not ask him to go as far as shaking Mr Adams hand. But he must not pass up the best opportunity unionism will ever have to put Sinn Féin/IRA to the test. And its intent will not be divined by demanding it hand over a lorryload of Semtex or a few of its Armalites. Nothing would be easier if Mr Adams decided such a gesture was to his advantage.

Mr Trimble knows that the outline of any settlement has already been written. It is there in the Anglo-Irish framework document of 1995. It would involve a devolved assembly in Belfast and a strengthening of Anglo-Irish relations. Unionists, it is true, would have to accept closer north-south co-operation. But all sides, Dublin included, would endorse partition. As Mr Blair has said, the guarantee of the province's constitutional status within the UK is "absolute". A united Ireland is not on offer.

This is the reality that Sinn Féin/IRA has so far managed to evade. As long as opponents focus on just when and how the IRA might surrender its weapons caches, Mr Adams will continue to dodge it. Mr Trimble could change that. He owes it to unionism to seize the moment.

·LETTERS TO THE EDITOR·

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Rules must go a step further to take nationalism out of anti-trust

From Prof Eleanor M. Fox.

Sir, In "Wrong Lesson from Boeing" (August 13), Daniel Tarullo argues that competition problems in world markets must be solved by the neutral principles of antitrust law, not political might. He provides a framework for solving world competition problems: co-ordination among anti-trust authorities around the world, soft harmonisation of law through cross-fertilisation, possibly with agreement to prohibit price-fixing and market division, and consideration of rules to pry open foreign markets closed by anti-competitive restraints.

I would add: we need rules that go a step further to take narrow nationalism out of anti-trust. Nations should agree not to allow private restraints that enrich their own firms by hurting their neighbours, and they should agree to a system of dispute resolution to back up the rules.

Teresa Wyszomierski's letter (August 15) criticises Tarullo's proposal on grounds that antitrust is hopelessly political. Her case in point is the Justice Department's criminal suit against Nippon for conspiring in Japan to fix prices of fax paper in North America; and the US Court of Appeals' decision refusing to dismiss the indictment. She states: "[The fact] that US consumers were injured by such a small supplier [6 per cent of the US market] painfully points to a purely political motive."

Quite the contrary. The rule against price fixing is a neutral principle and one of wide international acceptance. It applies to big and small conspirators alike and it applies without discrimination as to nationality. As the US Court of Appeals observed, the same conduct would violate Japanese law if it harmed Japanese buyers and if US law did not reach the conduct, it would slip through the cracks of the global economy.

It may be a daunting challenge to take politics and narrow nationalism out of anti-trust; but this is a noble task for the new working group at the World Trade Organisation.

Eleanor M. Fox
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NY 10012-1099 US

Denying medicines is not 'protection'

From Mr Alan F. Holmer.

Sir, Neil Buckley's characterisation of the European Union ban on cattle material as "putting consumer protection above science" ("Mad cow row refuses to die down", August 6) misses the real issue.

Summarily denying consumers access to 80 per cent of all medicines, including drugs many people need to stay alive, should not be termed "consumer protection". Amazingly, the EU made its decision without considering the risks its action poses to patients who are deprived of needed medicines.

Preliminary risk analysis suggests that the risk of getting bovine spongiform encephalopathy-related Creutzfeldt-Jakob disease from medicines is less than 1 in 100bn. The risk to a heart disease patient of not taking blood pressure medicine, to cite just one example, is heartbreakingly greater. The ban will protect consumers from phantom risks while exposing them to very, very real risks.

Alan F Holmer,
president,
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1100 Fifteenth Street NW,
Washington DC 20005 US

Solar energy cannot justify oil rig disruption

From Dr L.G. Brookes.

Sir, Peter Roche of Greenpeace (Letters, August 26) offers solar electricity from a projected BP factory as competitive with fossil-fuelled power "even in Aberdeen".

The FT (August 25) reports BP Solar as saying that a factory with an output of 500MW a year could produce photovoltaic electricity at 13p per kWh against 64p per kWh today. The present cost of wholesale electricity from conventional and nuclear sources is 2.3p per kWh.

BP plans to increase the output of its present factory to only 50MW a year by 2000. It says a 500MW factory could be justified only if there were a huge expansion of the market for photovoltaic modules, yet its output would be only a minuscule fraction of the annual growth in demand for electrical capacity. If this is the best Greenpeace can offer to justify its highly damaging swashbuckling on the oil rigs, it is high time it turned its attention elsewhere.

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Japan's health tricky to judge

From Mr Joost Pielage.

Sir, Gillian Tett begins her article "Japan's stormy weather", (August 22) by quoting a yield of 2.055 per cent on 10-year government bonds as evidence of the Japanese economy's weakness.

She must be referring to the Japanese Government Bond #182, which is still considered the "bellwether" bond. But, maturing on 20 September 2005, this is hardly a 10-year bond any more. More accurately, both the JGB futures (a notional 6 per cent, 10-year contract) and 10-year interest rate swaps carry an implied yield of around 2.55 per cent.

Of course, while this higher yield hardly translates into a vibrant economy, current pessimism is merely back at the levels last seen at the end of March, just before the VAT hike, when worries about the economic impact of that hike peaked.

Judging the health of the Japanese economy is a very tricky task because of the statistical distortions created by, among others, the VAT hike and the scrapping of income tax rebates. As an example, if you wanted to buy a house at the old, lower value added tax rate, you had to have it ordered by the end of September 1996. Unsurprisingly, housing orders fell sharply from October 1996. From October 1997 onwards, therefore, they will probably show healthy year-on-year gains.

Looking beyond the weak headline numbers, a case can be made that the economy, while obviously not booming, is not as weak as those headlines suggest. But it will be at least another six to nine months before firm conclusions can be made.

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Personal View · **Strobe Talbott**

The Great Game is over

We should avoid a replay of 19th century meddling in the Caucasus and central Asia

The transatlantic community has a profound stake in the independence and prosperity of the eight former Soviet republics of the Caucasus and central Asia.

Armenia, Azerbaijan, Georgia, Turkmenistan, Uzbekistan, Kyrgyzstan, Tajikistan and Kazakhstan have a chance to put behind them forever the experience of being pawns on a chess board, as big powers vied for wealth and influence at their expense.

The consolidation of sovereign states and free societies, at peace with themselves and with each other, stretching from the Black Sea to the Pamir mountains, would open up a valuable trade and transport corridor along the old Silk Road.

If reform in the region succeeds, it will encourage similar progress in Russia and Ukraine. It will contribute to stability in a strategically vital area bordering China, Turkey, Iran and Afghanistan, and that has growing economic and social ties with Pakistan and India.

The ominous converse is also true. If internal and cross-border conflicts simmer and flare, the region could become a breeding ground of terrorism, a hotbed of religious and political extremism and even a battleground.

For several years, it has been fashionable to predict a replay of the Great Game in the Caucasus and central Asia. The implication is that the driving force of the region, fuelled and lubricated by the estimated 200bn barrels of oil in the Caspian basin, will be the competition of the great powers to the disadvantage of the people who live there.

The goal of US policy is to avoid, and actively to discourage, that atavistic outcome. In pondering and practising the geopolitics of oil, we should think in terms appropriate to the 21st century and not the 19th.

We should leave Rudyard Kipling and George McDonald Fraser on the shelves of historical fiction.

The Great Game that starred Kipling's Kim and Fraser's Flashman was very much of the zero-sum variety. What is required now is just the opposite: for all responsible players in the Caucasus and central Asia to be winners.

An essential step is the resolution of conflicts within and between countries in the region. In the nineteenth century, internal instability and division provided a pretext for foreign intervention and adventurism.

In the past decade, since the breakup of the Soviet Union, several such conflicts have erupted again – in Georgia, Azerbaijan and Tajikistan.

The big states that border the eight nations of the Caucasus and central Asia have much to gain from regional peace, and much to lose from regional conflict.

Turkey's increased attention and activism has been a source of support to those who rightly worry about the projection of Iranian influence. But many Russians worry that Turkey's growing involvement in the region might cut them off from the former Soviet republics.

Russia itself is the target of concern, for reasons rooted in history. Under Tsars and commissars alike, Russia's leaders in the past seemed capable of feeling strong, secure and proud only if others felt weak, insecure and humiliated.

There are still plenty of questions and, among Russia's neighbours, plenty of anxieties about how Moscow will handle its relations with the other members of the Commonwealth of Independent States.

Whether that grouping of states survives will depend in large measure on whether it evolves in a way that vindicates its name – that is, whether it develops as a genuine commonwealth of genuinely independent states.

One of the watchwords of the dialogue that the US and its allies are conducting with Russia is integration, as long as it is of the right kind.

The doors, and benefits, of international institutions will be open to Russia as long as it stays on a path of reform. This includes the way it conducts its relations with its neighbours, and that means the way it defines integration in the context of the CIS.

In the realm of its security strategy, there are signs that Russia is more willing than in the past to pursue its interests in the Caucasus and central Asia in co-operation rather than competition with the west.

One example is the search for a settlement to the war over Nagorno-Karabakh, the secessionist Armenian-populated enclave of Azerbaijan.

Even though the guns are, for the moment, silent, the fighting of the past decade has displaced nearly 800,000 Azeris – 10 per cent of the population of Azerbaijan – and 300,000 Armenians.

While the ceasefire is welcome, it is also precarious, and the absence of real peace has hurt both Azerbaijan and Armenia.

The Organisation for Security and Co-operation in Europe is working to help find a solution in Nagorno-Karabakh, one that, by definition, will require compromises on all sides.

Under the auspices of the OSCE's Minsk conference, Russia, France and the US are engaged in an intensive effort to resolve the conflict. The three co-chairs have achieved a high degree of harmony among themselves. That solidarity appears to have encouraged the parties to engage seriously in a search for a solution. With sufficient flexibility on their part, it is possible we could see real progress in the coming months.

Another example of constructive, forward-looking attitudes is in military co-operation. In three weeks, the central Asian Peacekeeping Battalion, made up of armed forces from Kazakhstan, Uzbekistan and Kyrgyzstan, will host troops from the US, Russia, Turkey and other nations in a joint peacekeeping exercise. These units will practise together their skills in minesweeping and distributing humanitarian aid.

The image of American, Russian and Turkish troops participating together, on the same side, in combating threats to the stability and security of the region is itself an antidote to misplaced nostalgia for the era of Flashman and to conventional wisdom that the region is inevitably heading back to the future.

The author is US deputy secretary of state

Mary Evans Picture Library

Consigned to history: Kipling's rules no longer apply

COMMENT & ANALYSIS

FINANCIAL TIMES

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Two kinds of royalty

She blazed out briefly as the portent of a different style of monarchy: more personal, more exciting, more direct but, despite the intrusions of the press, a royal nonetheless.

Yet Diana, Princess of Wales, caused great injury to the House of Windsor. By shining more brightly and by touching the hearts of the people, she made the rest of the royal family appear remote, stuffy and rather dull.

After she married the Prince of Wales in 1981, it seemed a happy accident that she could mix the qualities of a media star with the more stately glamour of royalty.

But soon it was obvious that she stood for more than this. She was rediscovering, in the idiom of the television age, that aura of mystery which set monarchs apart in former times. It might have worked, grafting a new vigour onto an over-conservative institution. Her tragedy, and that of the royal family, was that the two styles could not live together.

Long gone are the days when people believed in the divine right of kings. But the British monarchy retains many of the trappings – the gorgeous ceremonies and sovereignty over the Church of England – which belonged to that era.

Modern

If she had become Queen of England, it was clear that Diana would have represented something much more modern. She seemed able to respond through the mass media to that popular yearning for an icon representing all that is superior, powerful and caring. She did this, not with great speeches, but with a smile, a look and a ready word which showed that her heart really did beat for ordinary people and especially for the sick and the dying.

These gifts, alas, were all but obscured during the acrimony of her separation and divorce from the prince – especially by their ill-judged television appearances and willingness to let "friends" do battle in the newspapers.

When the marriage ended, the princess's search for a new role became mired in controversy. This was partly because of the inherent contradiction in her idea of being a queen of hearts when she could no longer be queen in fact.

Denounced

Yet she seemed before her death to be finding a new and powerful voice. When she denounced the use of land mines, the world listened. Even some governments paid attention, much more than they would have done if the words had been uttered by a leading prelate. She commanded the airwaves not only because of her beauty, her stage presence and her status, but because everyone knew she was talking about something which needed saying: man's inhumanity to civilians.

How she might have developed her great power over the world's media can never now be known. Perhaps very little, if she had retreated further into the international circle of super-rich pleasure seekers. Or perhaps remorseless hounding by the international press corps was destined, one way or another, to destroy her. Perhaps, despite her superb abilities as a media performer, she was not tough enough to withstand its demands.

It would be unprofitable to list what might have been except perhaps for one thing: the influence she could yet have brought to bear on her sons and particularly William, a future king. For she had a great gift which is in short supply among British royals: the ability to speak directly and with feeling to the people.

The monarchy will no longer have to compete with her more vivid and disturbing presence. But perhaps her death will, by creating a common sorrow, heal the old wounds inflicted by royal factions in recent years. And perhaps one lesson at least will be taken from her life, that whatever else royalty stands for, it must, in the modern world, know how to stay in tune with the popular mood.

Press, privacy and paparazzi

Of all those needing to ask themselves searching questions after Princess Diana's death, newspaper proprietors and editors will be in the front line – in the UK and elsewhere. A large swathe of public opinion will agree with Earl Spencer, the princess's brother, that the press in effect killed her by encouraging intrusive excess of the kind played out on the streets of Paris yesterday morning. The cry will inevitably go up for something to be done to stop its like happening again.

The question is, what? In the immediate after-shock of her death, the public policy answers are far from obvious. But those responsible for the publications that hounded Princess Diana could make a start by accounting for their actions, and stating how they plan to act differently in future.

That the media – including British tabloid newspapers – share some of the blame for yesterday's tragedy is beyond question. Had they not felt impelled to feed public prurience with endless, intimate pictures of Diana, the market which spurred *paparazzi* photographers into ever more outrageous gambits in search of extravagant rewards would not have existed.

Had their editors and proprietors been prepared to question the provenance of the pictures they bought or the methods used in obtaining them, they would have concluded that the *paparazzi* fell well short of the code of practice they have agreed for their own staff.

Self-regulation

It is true that the market for this material is international, and that restricting its publication in one country would create an opportunity for others. But the market is shaped in Britain, and it would have been much less significant if the tabloids had withdrawn.

On the face of it, then, the events leading up to Diana's death amount to a failure of press self-regulation. Would some form of imposed regulation – a privacy law, say – have fared any better?

Almost certainly not. The fact that French publications are governed by a stringent privacy law did not prevent photographers harassing Diana for the benefit of readers elsewhere. Moreover, even if such a law were called for in Britain, it would be hard to frame one that would prevent intrusion into the private life of so public a figure as a princess.

Public interest

Most proposals for a privacy law – such as the one floated in a green paper by the previous government four years ago – are aimed at unwarranted intrusions into the private lives of ordinary citizens, and include a "public interest" defence. There is a legitimate public interest in the post-marital relationships of the mother of a future king. To argue to the contrary is to advocate a return to the days when a gentleman's agreement among editors kept the public ignorant of an approaching royal abdication crisis.

Laws aimed at the press are a blunt and undesirable instrument. The press should be subject to the law of the land like any other section of society. If unacceptable modes of journalistic behaviour are not caught by current laws on trespass, harassment and so forth, then those laws should be tightened – for everyone.

In any event, a more adequate weapon may soon be available against intrusion: incorporation into UK law of the European Convention on Human Rights. This sets out a right to privacy, balanced by freedom of expression, and could obviate the need for a specific privacy law. Individual cases of unwarranted intrusion could be tested against it in the courts.

This may seem scant consolation to those who worry which royal or other target the press's feeding frenzy will lead it to next. But it is better than a rush to judgment. Experience shows that extraordinary events involving extraordinary people are rarely the most propitious backdrop for good legislation.

A trek into the unknown

Roger Matthews asks whether F.W de Klerk and Nelson Mandela have delivered sustainable democracy

When two political heavyweights of the stature of F.W. de Klerk and Nelson Mandela quit the leaderships of their parties the loss is obvious. The blow might appear even more damaging when the resignations come within three months of each other and while South Africa is still coming to terms with the post-apartheid era.

Mr de Klerk said on Tuesday that he would resign as head of the National party on September 9. Mr Mandela announced last year he would step down as president of the African National Congress during the party congress in December, although remaining state president until the 1999 general election.

Together they have performed the most enduring political double act to have shared a Nobel peace prize. But history is rarely kind to politicians who outstay their achievements, and for both men nothing they can do in future will rival what is past. The issue for South Africa is whether their political achievements can survive without them, and, more important, whether they can deliver the sustainable democracy not achieved elsewhere in Africa.

It was always going to be much tougher for Mr de Klerk to bequeath a party with a future. Unless the ANC was seen to have failed dismally on a range of issues it was always likely to be awarded a decade of power, probably more. For Mr de Klerk, however, the challenge of making the party that invented apartheid attractive to black voters was more complex, if not impossible.

Under the terms of the constitutional agreement reached before the 1994 general election, any party that gained more than 10 per cent of the vote was given the right to participate in government. The sight of Mr de Klerk taking his place as deputy president, and six National party ministers taking their cabinet seats alongside the ANC and mainly Zulu Inkatha Freedom party, was supposed to reassure domestic and international opinion of the political commitment to a smooth transition.

The tactic succeeded, but after two years Mr de Klerk had enough. His relations with Mr Mandela had soured, the National party was increasingly frustrated at its inability to influence government policy, and it was shackled in opposition by its presence in cabinet. "The ANC is acting more and more as if it no longer needs multi-party government," complained Mr de Klerk. "But in opposition I will now have a freedom that I have never enjoyed before in my political career."

However, Mr Mandela was happy to see the back of the Nationalists, and the freedom to oppose was found to count for little in an ANC-dominated parliament. The marginalisation of the National party seemed bound to continue unless Mr de Klerk could deliver the "fearless leadership" he promised in 1996 as part of "a new spiritual trek towards an unknown political destination". As Mr de Klerk observed: "The simple truth is that only the successful bringing together and mobilisation of South Africans on an unprecedented scale, across language and colour lines, will be able to ensure true multi-party democracy."

The man he charged with the task was Roelf Meyer, who played a central role in negotiating the political transition and the new constitution adopted last year. Mr Meyer proved, however, too enthusiastic in his quest to reshape South African politics for the majority of National party members. He even suggested the ANC could only be successfully challenged by a party with a black leader. So Mr Meyer had to be reined in. He was, and he quit the party leaving Mr de Klerk's 15-month efforts to reform it in tatters.

Three months later Mr de Klerk is also on his way, citing his desire to free the National party from the perception that it was still linked to a guilt-ridden past. "With my retirement I wish to open a door for the National party to provide further proof of its dynamic break with the past," he said this week. But whether the National party wishes to walk through that door and continue its spiritual trek, remains open to doubt and is unlikely to be decided by the contest to replace Mr de Klerk.

The strongest support for that view came with the decision by Hernus Kriel, the premier of the Western Cape province and favourite to succeed Mr de Klerk, not to contest the leadership. Mr Kriel said that, because he came from the same generation as Mr de Klerk, it would not be right for him to be elected leader. Other party members say he was unwilling to trade the party leadership for the premiership of the Western Cape, which he would have been forced to do. The Western Cape is the only province controlled by the Nationalists and therefore its most important power base. "Hernus can control the party from the Cape. He does not need to be leader," said a party member.

If that assessment by the right wing of the party proves correct, the task of the new leader, as defined by Mr de Klerk, would appear hopeless. Certainly Mr Meyer believes that to be the case. He said the party was doomed to an essentially provincial role, because of Mr Kriel's narrow ambitions. Others, including the flamboyant Pik Botha, the former foreign minister, believe the party can break from its past and should reverse Mr de Klerk's decision and rejoin the government of national unity. But apart from angering the ANC, which would have to sack ministers to make space for the Nationalists' return, it is not apparent how government membership would boost the Nationalist cause, especially as the power sharing deal elapses after the 1999 election.

It is tempting to conclude that while the National party works through this conflict within its ranks, it is more likely events elsewhere will determine whether an electable alternative to the ANC will ever emerge. The two key developments will be the efforts by Mr Meyer and Bantu Holomisa, a former ANC executive member, to establish a new party, and the ideological differences within the ANC itself.

Mr Meyer has carried with him several dozen former National party members. By the end of next month he and Mr Holomisa, who was the military leader of the Transkei homeland, have promised to explain what unites them, other than opposition to their former parties.

Mr Holomisa was sacked by the ANC last year for indiscipline after he accused senior party members of taking money from a hotel magnate. Beloved by the youthful and populist wing of the party, he has yet to demonstrate whether he has the intellectual and ideological appeal to draw voters away from the ANC, while developing a platform which can be supported by Mr Meyer and his friends. And, even if the two men make progress, they still need to attract the financial backers that will allow their message to be heard.

What would inspire them most would be evidence that the ANC monolith was beginning to fray at the edges, offering some prospect of an eventual split. However, Mr Mandela's departure appears to give them little hope.

The succession is in place, and in Thabo Mbeki the ANC has a president-in-waiting every bit as committed as Mr Mandela to maintaining the broad unity of the organisation. Mr Mbeki is fond of saying the ANC alliance with the Congress of South African Trade Unions (Cosatu) and the Communist party will survive for so long as the legacy of apartheid persists. And Cosatu and the Communists are fully aware that their capacity to influence policy, which they do with some success, depends on remaining within the alliance.

The mutual dependence has been reinforced this week with further evidence of the ANC's organisational problems. While union membership in South Africa is bucking the world trend and increasing, the ANC is losing members. It is also in financial trouble and last week said it was sacking 163 of its 560 staff and selling its headquarters in Johannesburg as part of a drive to cut expenditure by 50 per cent.

The ANC's financial plight, caused mainly by the drying up of gifts from abroad, means union structures will carry an increased responsibility for marshalling ANC support in the run-up to the April 1999 elections. Given the unions' opposition to parts of the government's economic strategy, and their determination to see more favourable labour legislation through parliament, some price for Cosatu's electoral efforts seems bound to be exacted. However, it will be a negotiated deal, not an issue that will in the next two years provoke a rupture.

This will disappoint both the opposition and those who view South Africa's political stability in terms of developing an alternative to the ANC. There is no doubt a viable opposition helps create a vibrant democracy, but single party dominance may not be the threat it once was, or party leaders the dominant figures they once were. As the ANC has discovered in the past two years, the disciplines of the global economy are a far more effective deterrent to waste and fiscal profligacy than any opposition party. Whenever the ANC strays, the rand suffers, and with it much of what the party wishes to achieve.

· OBSERVER ·

Meier to the rescue

■ Has Henri Meier, redoubtable finance chief of Swiss pharmaceuticals group Roche, found a new role in life? Meier, 61, manages Roche's cash pile, and in the first six months of this year his astute investments have achieved an earnings performance outstripping the the profits growth of Roche's core pharmaceutical business.

Hence, the rumour mills are buzzing in Zurich now he's taken a seat on the board of IHAG Holding, a little-known investment company which oversees the family fortune of Dieter Bührle, 75, and his sister Hortense Anda-Bührle, 71; she's the daughter of the founder of Oerlikon Bührle, which makes everything from anti-aircraft guns to Bally luxury shoes.

Meier is saying nothing about his new job but it looks like he's been brought in to help see off the vultures hovering around one of the juiciest break-up stories in Switzerland. The Bührles own 31 per cent of OB and, until recently, could count on the support of August von Finck, a wealthy German aristocrat who bought a 10 per cent stake in the early 1990s. However, von Finck has sold most of his shares amid rumours he no longer sees eye to eye with the Bührles.

Someone has been buying a lot of OB shares recently and it could be Martin Ebner, Switzerland's best known corporate predator. If so, Meier's appointment makes sense. Ebner's Pharma Vision is Roche's biggest shareholder.

Great Gatesby

■ Some time in the next few weeks, the richest man in America will move into his gizmo-packed $60m Lake Washington mansion. After a seven-year building programme – the budget started at around $10m – the house will soon be home to Gates, his wife Melinda and young daughter Jennifer. There's a dining room for 100 guests, a swimming pool with underwater music and a private theatre. But the centrepiece must be the domed library, in which rest four rare copies of F. Scott Fitzgerald's classic *The Great Gatsby*.

The novel is one of Gates's favourites, so perhaps it's not entirely coincidental that he settled for a mansion with lawns running down to a picturesque lake edged with twinkling lights. And guess what? According to the Washington Post, he's having inscribed around the base of the dome words from the last page of Fitzgerald's work: "He had come a long way to this blue lawn and his dream must have seemed so close that he could hardly fail to grasp it." Gates, of course, is already one up on Gatsby. He got the girl.

Mir democracy

■ Astronaut David Wolf will be circling the world every 90 minutes come this November but it will take more than that to stop him voting in Houston's local elections.

Wolf will become the first inter-stellar voter when he exercises his civic duty hundreds of miles above *terra firma* in three months' time. Whatever problems the Mir space station may have, NASA and Texas election officials have created a computer programme allowing space travellers to cast votes via encrypted e-mail from their onboard laptops.

The clever laptops feature a "Vote!" icon, enabling them to cast their ballots to the tune of John Philip Sousa's "Stars and Stripes Forever." The idea could catch on, given the widespread desire to get as far away as possible from politicians when an election's on.

Border line

■ German digital pay-TV network DF-1 is tonight hosting a regal bash at the Crown Prince's Palace in Berlin. But though an evening of "media wonder" and entertainment for all is promised, it might prove a bit hard to keep up the spirits.

The problem is that, as part of the settlement between Kirch Group – DF-1's parent – and CLT-Ufa over the future development of digital pay-TV in Germany, the network is being effectively wound up to be merged with rival Premiere.

The weekend merger announcement was immersed in the sort of symbolism TV types love so much. Ferd Kayser, Premiere's chief executive, waxed all lyrical over the choice of Checkpoint Charlie as the location chosen for the momentous announcement. Here, once-bitter enemies stood face to face but now, thanks to a swanky new office development, people can establish a meeting of minds.

Gnome security

■ Help is at hand for the good people of France and Italy, hit by a wave of gnome kidnaps which is blighting their gardens. Anonymous members of the newly formed Friends of Ruthin – one of the most popular plaster characters – are striking back. They are secretly but securely cementing the little creatures to the spot where they stand.

The Financial Times

100 years ago

Portuguese Foolishness
There is a certain short passage in the report of the Portuguese Finance Minister that is worth quoting as an instance of the exceedingly wrong-headed view which a foreign statesman of some ability can take of his country's obligations. After confessing that Portugal finds herself in a sad situation, Senhor Garcia remarks:- "Justice demands that an investigation be made as to whether the creditors themselves have not contributed powerfully thereto, exacting from us, on the loans they granted, a much higher rate of interest than that which at the epochs of such loans the Funds of the nations of the first class paid, and therefore out of proportion with the resources of the country which is much poorer than those referred to." That is putting the boot on the wrong leg indeed.

50 years ago

French Reprisals
Although no official ban on British films will be imposed by the French government, some restrictions are being considered, the Ministry of National Economy announced. It admitted that restrictions would be in reprisal for Britain's new 75 per cent tax on foreign film earnings.

FINANCIAL TIMES
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Malaysian PM attacks IMF and currency speculators

Asian markets could face increased selling pressure

By James Kynge in Kuala Lumpur and John Ridding in Hong Kong

Dr Mahathir Mohamad, Malaysia's prime minister, launched an angry attack on the International Monetary Fund at the weekend in a move being seen as likely further to destabilise south-east Asia's troubled financial markets.

He also renewed his onslaught on financial speculators, likening the borderless world of business to a "jungle of ferocious beasts".

His remarks, coupled with the imposition of currency controls in Indonesia at the weekend, were expected to contribute to selling pressure on regional currency and stock markets this week.

Further selling was expected in Hong Kong today following last week's sharp falls and a decline in Hong Kong shares trading in London on Friday. A crisis of confidence in Malaysia's financial policy-making has become a source of regional instability.

Economists had been hoping that Dr Mahathir would drop his tirades against foreign speculators and outline new policies to address the country's trade deficit and other fundamental economic ills.

But he lambasted the IMF after a reported suggestion that Malaysia would do well to scale back its more ambitious infrastructure projects.

"The IMF is only interested in saying 'I told you so'," he said. "Even if they have to subvert our economy, they will do so just to prove that they are right."

He urged Malaysians not to cower from the "ferocious beasts" that roam in world business. "If we cannot break their horns, we will tweak their ears," he said.

Such strong language, coming after the sudden imposition of controls on financial markets, has unnerved investors in Malaysia.

One foreign economist in Kuala Lumpur said: "I am afraid the truth is that railing against foreigners is no way to win back their trust or investments."

Malaysia's markets reopen on Tuesday after a holiday. Economists are also pessimistic over a move by Indonesia at the weekend to curb foreign currency speculation by foreigners. The Indonesian central bank ruled that forward foreign exchange selling against the rupiah by domestic banks to foreign customers would be capped at $5m worth of rupiah per customer.

Similar controls imposed by Malaysia and Thailand had a negative effect on local stock markets and failed to halt the fall of the ringgit or baht.

In Hong Kong, selling pressure was expected to continue today, following Friday's fall on Wall Street and a further decline in Hong Kong shares traded in London after the close of the Hong Kong market.

The Hang Seng London Reference Index fell by almost 2 per cent on Friday, following the two-day fall of 9 per cent in the territory.

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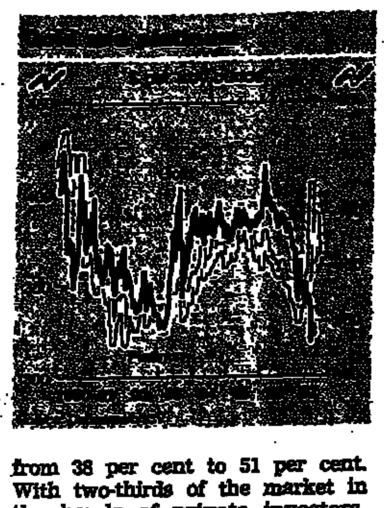
THE LEX COLUMN

Buy-back kick-backs

With the stock market at its current level, should US companies still be buying their own shares? To ask the question does not mean buy-backs' fundamental attractions are in doubt. Companies should return excess cash to shareholders rather than sitting on it or frittering it away. Replacing equity with debt creates real value because interest payments can be deducted against tax. And leverage is a useful discipline on management.

Still, what started as a good idea 15 years ago has been copied so widely and unthinkingly that a few questions are worth asking. Whereas stock repurchases have only recently gained popularity in the UK, and are largely unknown (or illegal) in continental Europe and Japan, they have become an American institution. Last year, US companies bought back a record $116bn of their shares – nearly 20 per cent of their declared earnings. So far in 1997, more than 860 companies have announced repurchases worth $126bn.



Much of this is playing to the Wall Street gallery, which likes the boost to earnings per share of buying back equity with cheap debt, as well as the apparent signal that management considers its stock undervalued. For executives, often incentivised on the basis of earnings growth, a buy-back can bring very tangible gains. Meanwhile, on the scale they are practised in the US, buy-backs have undoubtedly helped fuel the bull market by reducing the supply of equity.

But with valuations so high, it is questionable whether buying back shares still makes automatic economic sense. According to statistics from the Federal Reserve, the US market is now trading at a 25 per cent premium to its current cost replacement value – far higher, even, than the 110 per cent or so it reached in the bull market of the mid-1960s. Exceptions exist; for an oil explorer it is probably still cheaper to buy a competitor or its own shares than to drill another well. But for many companies, buy-backs no longer even boost earnings per share, much less produce an acceptable return on capital.

So why do companies persist with repurchases? One reason is that the other way of handing back cash, through dividends, carries substantial tax penalties. While the US capital gains tax rate has recently been cut to 20 per cent for investments held for longer than 18 months, income tax on dividends ranges from 38 per cent to 51 per cent. With two-thirds of the market in the hands of private investors, either directly or through mutual funds, this tax discrepancy is a much more important consideration than in the UK.

There is also, however, a less defensible reason; many companies are buying in shares in order to reissue them, at a much lower price, as stock options to staff. While incentivising the workforce is all very well, this can be a blatant transfer of value from existing shareholders to employees. At Intel and Microsoft, for example, the number of outstanding shares has not fallen, as huge repurchase programmes have been matched by similarly huge option grants. With many persuasive factors in their favour, buy-backs will remain popular. But the next time a company announces one, shareholders should at least check its motives.

Dutch forecasts

KPN expects "satisfactory" growth in full-year net profit. ING forecasts a "marked" increase in 1997 earnings per share. Both adjectives are translations from the word *duidelijk*, understood by Dutch investors to mean a rise of between 7 and 12 per cent. This is one level in the Scale of Mock, concocted by a PR man 13 years ago and still adhered to by some of the Netherlands' largest quoted companies. But during that time many have gained listings on exchanges abroad, bringing on board international shareholders for whom such terms carry less numeric resonance than for their Dutch brethren.

Stock exchange authorities smile on the scale as a benign kind of English-style understatement. Yet when companies' official translations of the same words cannot even agree, one enters the land of double Dutch. Amsterdam, of course, has no monopoly on obscurantist usage, and a scale is better than phrases such as "above budget", when shareholders remain clueless about what the budget was. Still, it does not have to be this way. Aegon is projecting a more comprehensible 25 per cent per share improvement this year, rather than the "strong" growth that for Mock would mean a gain in the 20-30 per cent range.

The insurer's precision is laudable; that a corporate governance commission headed by its former chairman failed this year to question the tradition is regrettable. If efforts are being made to promote transparency, a scale comprising a string of weasel words makes a mockery of them.

Gold/platinum

What are investors to make of the torrid goings on in the precious metals markets? Historically, platinum has enjoyed an average $30/oz premium over gold, and the two metals have traded in tandem. But that relationship is looking very ragged right now. The premium was only $2 at the turn of the year, then climbed to $150, and now stands around $70. Normally it reflects developments in the platinum market; the spike earlier this year reflected lack of supply from Russia. But this time it was accentuated by the precipitous drop in the gold price.

The two markets are very different; platinum is not faced with a large central bank supply overhang, is thinner and more volatile, and has fewer producers and greater industrial offtake. There is no particular reason why the prices should trade in tandem. But even if the relationship persists it is likely, at least in the short term, that platinum will enjoy a larger premium. Russian metal may be trickling back into the market, but not so much as to jeopardise a price above $400/oz. As for gold, a further drop may be unlikely, but nor is any recovery much above $340/oz. Accordingly, platinum shares look the better bet. The prices of large producers like Amplats and Impala are discounting a much weaker metal price. If the firmer price holds, company earnings should surprise on the upside. And even if the gold price does recover, it will probably pull platinum with it.

Olivetti may sell Olsy unit to Wang

Continued from Page 1

as the most likely candidate to buy a stake in Olsy, according to sources close to Olivetti.

Olsy's attraction for Wang is the Italian company's European activities, which would give Wang an opportunity to expand in Europe.

If Mr Colaninno secured a deal with Wang by the end of this year, he would have put into place a key component in his recovery strategy.

Meanwhile, a shareholders' meeting today of Infostrada, Olivetti's fixed-line telecommunications subsidiary, is expected to clear the way for France Telecom to become the Italian company's strategic partner in the fixed-line telecommunications sector.

Until now, Bell Atlantic was Olivetti's partner in Infostrada but the US telecommunications group appears poised to give up its 33 per cent stake in the Olivetti subsidiary, making way for the French company to acquire a 49 per cent interest for about L165bn.

The recent intensification of manoeuvres around Olivetti reflect the urgent need to find lasting solutions to ensure the company's longer-term viability. The Italian group is expected this month to report first-half 1997 losses of about L260bn. The company's debts at the end of June totalled L2,500bn.

These concerns were heightened by Olivetti's decision last week to delay payment of the September monthly salaries of its 11,000 Italian employees until October 5. Olivetti's unions , worried about possible liquidation, are threatening to strike later this month.

France considers tax breaks to boost job creation

By Andrew Jack in La Rochelle

France is likely next year to introduce tax deductions for companies that hire additional employees, a senior government minister said at the weekend.

Speaking at the summer gathering of the ruling Socialist party in the western port of La Rochelle, Dominique Strauss-Kahn, economics, finance and industry minister, said "there could well be" such an initiative in the 1998 budget, details of which are due to be made public later this month.

His comments came as a range of other ministers and senior Socialist party figures, including Laurent Fabius, leader of the National Assembly, stressed that their top priority in government was employment – against a backdrop of near record joblessness.

Another senior government official indicated that the move, which was still under discussion, could take the form of a partial exemption from additional corporation taxes announced in July in the supplementary 1997 budget for businesses generating new jobs. The new taxes would increase tax on profits to 41.6 per cent.

Mr Strauss-Kahn, whose remarks came in response to a businessman and Socialist sympathiser at a debate on Saturday, stressed that the initiative would be complicated to implement. During the same presentation, Martine Aubry, minister of employment and solidarity, stressed her continuing commitment to the Socialists' election pledge to reduce the length of the working week from 39 hours to 35 hours.

She has denied reports that she would introduce the initiative by 2000, and said that it should be in place "rapidly but without precipitation".

She added that the government was already hiring additional labour inspectors and would clamp down on existing abuses of the current weekly limit.

Meanwhile, the French car and road haulage industries warned of the consequences of rumoured increases in the tax on diesel fuel, partly designed as an anti-pollution initiative. Ministers stressed that no decision had yet been taken, and any modification was likely to take place slowly.

Concluding the Socialists' congress yesterday, Lionel Jospin, the prime minister, called for a "rebalancing" of the European Union, with greater co-ordination between economic policies of its leading members. He said there was a need to place greater emphasis on employment, and to create in Europe "a real industrial power".

He defended the government's stance on reform to the country's tightened immigration laws, which, he said, met in all key elements the Socialists' campaign pledge to overturn legislation introduced by the previous government.

Memorial to princess

Continued from Page 1

all day. TF1 and France 2, the TV leading channels, devoted their evening scheduling to programmes on the princess, and even M6, the music channel proud of its reputation for iconoclastic programming, covered the events in detail.

Grief was mixed with anger at the paparazzi, who were rapidly at the centre of debate during the day on the causes of the accident.

"It's crazy. The photographers didn't have to pursue her. They knew where she was going and they could have caught up with her there. It was a hunt. She was forced to try to escape from them," said one taxi driver.

Waigel 'to fight on'

Continued from Page 1

catching up with Mr Kohl as the man voters would like as chancellor, with 43 per cent support against 44 per cent for Mr Kohl. The chancellor's position would be worse if the opposition chose Gerhard Schröder, SPD prime minister of Lower Saxony, as its candidate: 58 per cent favoured Mr Schröder against 32 per cent for Mr Kohl.

In yesterday's interview with the TV programme *Bonn Direkt*, Mr Waigel said the first priority of his tax reform initiative would be to reduce the top rates of corporation tax and income tax for businesses to 40 per cent from 45 per cent and 47 per cent respectively. The government would also seek some reduction in the 25.9 per cent bottom tax rate.

FT WEATHER GUIDE

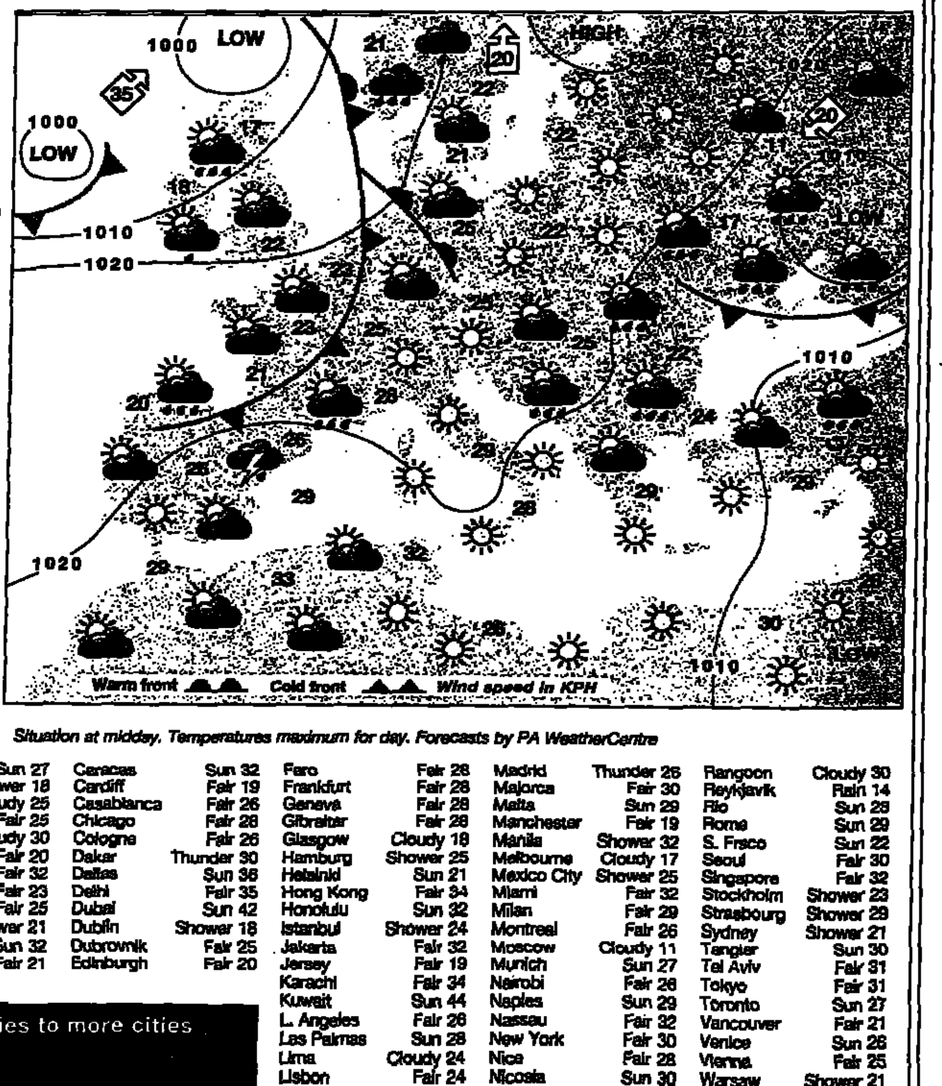
Europe today

Most of the Mediterranean will be hot and sunny, with cooling breezes on coasts and islands, especially during the afternoon. Central and northern parts of Spain will have widespread heavy showers and thunderstorms. Thunder showers are likely late in the day along the east coast of Spain. There will be rain and thunder in France, the Benelux and southern Norway, with thundery showers in the Balkans, Ukraine, Belarus and Poland.

Central Europe and Germany will have a fine and very warm day, and there should also be some sunshine in Finland, the Baltic republics and Russia.

Five-day forecast

Thundery conditions will continue in the western Mediterranean and central Europe until midweek, but the eastern Mediterranean and the Balkans should stay fine and warm, and it should stay dry in Russia, Finland and the Baltic. North-west Europe will be changeable and windy, with showers at times.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Beijing	Sun 27	Caracas	Sun 32	Faro	Fair 28	Madrid	Thunder 26	Rangoon	Cloudy 30
	Celsius	Belfast	Shower 18	Cardiff	Fair 19	Frankfurt	Fair 28	Majorca	Fair 28	Reykjavik	Rain 14
Abu Dhabi	Sun 40	Belgrade	Cloudy 25	Casablanca	Fair 26	Geneva	Fair 28	Malta	Sun 29	Rio	Sun 28
Accra	Fair 29	Berlin	Fair 25	Chicago	Fair 26	Gibraltar	Fair 26	Manchester	Fair 19	Rome	Sun 29
Algiers	Sun 33	Bermuda	Cloudy 30	Cologne	Fair 26	Glasgow	Cloudy 18	Manila	Shower 32	S. Frsco	Sun 22
Amsterdam	Fair 23	Bogota	Fair 20	Dakar	Thunder 30	Hamburg	Shower 25	Melbourne	Cloudy 17	Seoul	Fair 30
Athens	Fair 29	Bombay	Fair 32	Dallas	Sun 36	Helsinki	Sun 21	Mexico City	Shower 25	Singapore	Fair 32
Atlanta	Thunder 32	Brussels	Fair 23	Delhi	Fair 35	Hong Kong	Fair 34	Miami	Fair 32	Stockholm	Shower 23
B. Aires	Fair 17	Budapest	Fair 25	Dubai	Sun 42	Honolulu	Sun 32	Milan	Fair 29	Strasbourg	Shower 29
B.Ham	Fair 20	C.Hagen	Shower 21	Dublin	Shower 18	Istanbul	Shower 24	Montreal	Fair 26	Sydney	Shower 21
Bangkok	Cloudy 34	Cairo	Sun 32	Dubrovnik	Fair 25	Jakarta	Fair 32	Moscow	Cloudy 11	Tangier	Sun 30
Barcelona	Thunder 26	Cape Town	Fair 21	Edinburgh	Fair 20	Jersey	Fair 19	Munich	Sun 27	Tel Aviv	Fair 31
						Karachi	Fair 34	Nairobi	Fair 26	Tokyo	Fair 31
						Kuwait	Sun 44	Naples	Sun 29	Toronto	Sun 27
						L. Angeles	Fair 26	Nassau	Fair 32	Vancouver	Fair 21
						Las Palmas	Sun 28	New York	Fair 30	Venice	Sun 26
						Lima	Cloudy 24	Nice	Fair 28	Vienna	Fair 25
						Lisbon	Fair 24	Nicosia	Sun 30	Warsaw	Shower 21
						London	Fair 22	Oslo	Fair 21	Washington	Fair 31
						Lux.Bourg	Thunder 25	Paris	Fair 23	Wellington	Fair 12
						Lyon	Thunder 28	Perth	Shower 19	Winnipeg	Fair 21
						Madeira	Fair 24	Prague	Fair 25	Zurich	Fair 26

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FINANCIAL TIMES
COMPANIES & MARKETS

Monday September 1 1997 Week 36

INSIDE

Cellular deal for ScottishTelecom

ScottishTelecom, the telecoms firm owned by Scottish Power, is expected today to announce the name of its partner in a cellular phones venture, the latest in a series of canny deals and strategic alliances. Page 18

Brussels opens merger hearings

Formal hearings open at the European Commission this week into the competition implications of the £24bn ($39bn) merger of Guinness and Grand Metropolitan. Bernard Arnault, chairman of LVMH, the French luxury goods group, will renew his attempts to have the deal restructured to include Moët Hennessy, his drinks subsidiary. Page 18

GLOBAL INVESTOR
Tough times for fund managers
Times are hard for active managers. In the US, professional investors have struggled to beat the S&P 500 as a handful of stocks – "the new Nifty Fifty" – have driven the market higher. Page 21

COMPANY RESULTS
French oil groups in the swim
Elf Aquitaine and Total, the French oil companies, are both expected to report sharply higher profits for the first half. A rise in the dollar against the franc has offset the impact of tumbling crude oil prices. Page 21

MARKETS THIS WEEK
New York
No trading today because of Labour Day, but important statistics due later this week should add to the recent volatility.

Tokyo
Signs that Asian markets may continue their slide may force economists to revise their views on Japan.

London
The performance of world stock markets will again have a strong influence on the direction of the UK market.

Frankfurt
With uncertainty over interest rates and anxiety about Wall Street's direction, equities are likely to continue their timid performance.

Paris
Investors will be looking for some strong company profits as the half-yearly reporting season gets under way.

CURRENCIES
Testing time for the yen
Is Tokyo trying to keep the dollar below Y120? Each time the dollar has approached Y120 recently, the market feared a barrage of intervention from Tokyo. But on Friday the dollar climbed and held above Y120. Page 22

EMERGING MARKETS
Hong Kong rides the storm
The financial crisis in south-east Asia has swept into Hong Kong. But, unlike some Asian stock markets, Hong Kong is supported by strong fundamentals. Page 23

COMMODITIES
Uranium institute has eye on prices
The hot topic at this week's annual symposium of the Uranium Institute in London will be the future of uranium prices. This time last year, hopes were that uranium was improving. At $15.50 a pound it was still well short of its 1978 peak of $43 a pound, but it was on the up. Today the price has fallen to $10–$11 a pound. Page 22

FT GUIDE TO THE WEEK – full listings, Page 34

THERE ARE ABOUT 10m snorers in the UK and this week has been proclaimed National No Snoring Week by London's Harley Medical Group to highlight the effects of snoring on relationships and to offer snorers and long-suffering partners a solution.
MANDELA IN SWITZERLAND
President Nelson Mandela of South Africa is due to visit Switzerland on Wednesday, departing a few hours before the verdict in Lausanne on South Africa's bid to host the Olympics in 2004.
SUMO SUMMIT
The annual 15-day autumn grand sumo tournament opens in Tokyo on Sunday.

Companies in this issue

S Korea plans big bond issue

Offering will test international market

By Edward Luce in London

South Korea is to test global market sentiment with its first large-scale international bond offering since the country hit economic problems last year.

The $750m to $1bn bond, which will be issued by the Korean Development Bank, the main international borrowing arm of the South Korean government, is expected to contain "disaster insurance" clauses to persuade nervous investors to buy the paper.

South Korea's credit rating has been placed on "negative outlook" by both Moody's Investors Service and Standard & Poor's, the New York-based credit rating agencies, to reflect growing concern about the country's economic health.

A series of business failures – including, most recently, the collapse of Kia, the country's eighth-largest conglomerate, which has been placed under bankruptcy protection until September 29 – has prompted investors to sell South Korean bonds and equities. Last week, the South Korean Won fell to a record low of Won904 to the US dollar on continuing worries about South Korea's competitiveness and large current account deficit.

"Given the pessimism of some observers, liquidity in South Korean bonds is at risk," said Darren Sharma, an economist at broker Société Générale in Paris.

Officials at J.P. Morgan and Lehman Brothers, which will jointly underwrite the KDB bond offering, would not confirm speculation that the bond would contain "disaster insurance" measures. But investors, who are to be consulted by KDB officials on a roadshow in Europe and the US this week, say they will demand such protection clauses.

These are likely to include "credit sensitive" elements guaranteeing investors a step up in the coupon – or annual interest – paid on the bond should South Korea's credit rating be downgraded. The bond could also contain a "put option", enabling bondholders to redeem the full cost of their investment before the bond reaches maturity should the KDB be downgraded by the credit rating agencies. The KDB has a rating of A1/AA- which is the same as South Korea's sovereign rating.

Credit sensitive bonds have been pioneered this year by leading Asian borrowers, notably from Thailand and Korea, to give jittery investors protection against a backdrop of deteriorating creditworthiness.

International bonds, Page 23

NationsBank's takeover of Barnett sends clear warning to would-be independents

Mergers in US banking sector gather pace

"If Barnett Banks ever comes into play," asserted a senior Wall Street investment banker last year, "it will be like letting kids loose in a candy store."

So it has proved. In the rush to build regional and increasingly super-regional banks in the US, Florida-based Barnett had stood blissfully aloof. The leading position in the Sunbelt's most vibrant state and a highly regarded management had enabled it to become one of the 20 biggest banks in the country without the sort of cross-state mergers that have become familiar elsewhere.

Now, one of the most admired US banks has agreed to be acquired. The message this sends to other would-be independents is that the momentum which has built up behind the banking consolidation of the mid-1990s has now reached such a level that virtually no bank can afford to ignore the changes under way.

In the circumstances, the price paid by NationsBank is hardly a surprise. At $15.5bn, it is the most paid for a bank in the US, topping by more than $3bn the two giant mergers of 1995 – the New York merger of Chase Manhattan and Chemical Banking and the hostile acquisition of First Interstate by Wells Fargo in California.

The price, paid in NationsBank stock, equates to four times Barnett's book value, and around 24 times its earnings.

Even after the strong rally in bank stocks over the past two years, the average bank stock trades at more than 10 times earnings per share and twice book value.

There is a fine irony here. Hugh McColl, the former marine who runs Nations Bank, made his name in the late 1980s and early 1990s as a bottom-fisher, buying distressed banks in his native south-east at fire-sale prices. He has now emerged as one of the highest payers in the business.

Mr McColl's apparent conversion speaks volumes about the strategic end-game that is under way among a handful of banks that aspire to national status.

With desirable acquisition targets becoming fewer, no one wants to miss out.

The scramble for Barnett is also believed to have involved First Union – although, in the final stages, only San Francisco-based BankAmerica and Banc One of Ohio are thought to have remained in the bidding.

These are two institutions that, like NationsBank, have overt ambitions about developing a national presence.

Mr McColl was in a strong position to outbid both. The bank's "very substantial beach-head in Florida" meant that "he can afford to pay the highest price", said Tom Hanley, banking analyst at UBS Securities. By merging its own Florida operations with those of Barnett, NationsBank claims it can slash $915m of costs a year from the combined group.

However, as the stakes rise the risks of failed mergers are also getting higher. The planned savings are equivalent to around 55 per cent of Barnett's annual costs.

Cuts of that magnitude are far higher than the sort of savings seen so far from bank acquisitions.

In addition, to meet Florida regulations that limit the market share of any one bank, NationsBank said it would have to shed around $3.5bn in deposits in the state.

In spite of this, NationsBank predicted on Friday that its earnings per share would be reduced by only 4 per cent in 1998 and would benefit the following year.

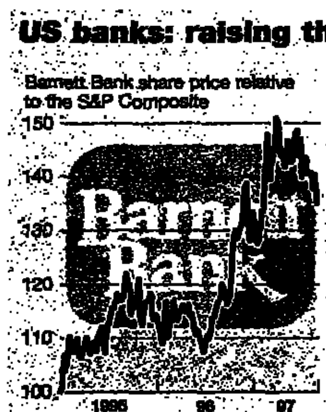
To judge by the relative stability of its share price on Friday, Wall Street is giving Mr McColl the benefit of the doubt.

For NationsBank the acquisition is likely to mark the beginning of a new phase. Provided the merger works, its foothold in the south-east will be unshakeable, providing the platform for a move into uncharted territory.

John Authers
Richard Waters

US banks: raising the stakes

Barnett Bank share price relative to the S&P Composite



Florida banks

Rank	Buyer	Market share of Florida	Branches	Deposits (as at June 1996)
[redacted]				
2	First Union Corp	17.10	546	$30.53bn
[redacted]				
4	Suntrust Banks	10.36	375	$18.50bn
5	Washington Mutual	[illegible]	[illegible]	[illegible]
6	Amsouth Bancorp	2.84	116	$5.06bn
7	Southtrust Corporation	[illegible]	[illegible]	[illegible]
8	HF Ahmanson	1.91	27	$3.40bn
9	Citicorp	[illegible]	[illegible]	[illegible]
10	Bankatlantic Bancorp	1.05	60	$1.87bn

NationsBank

Top ten deals in the history of the US banking industry

Buyer	Seller	Announced	Announced deal value
[redacted]			
Wells Fargo & Company	First Interstate Bancorp	Jan 24 1996	$12.31bn
Chemical Banking Corp	Chase Manhattan Corporation	[illegible]	[illegible]
NationsBank Corp	Boatmen's Bancshares	Aug 30 1996	$9.75bn
First Bank System	US Bancorp	[illegible]	[illegible]
Washington Mutual	Great Western Financial Corp	Mar 6 1997	$7.01bn
First Union Corp	First Fidelity Bancorporation	[illegible]	[illegible]
First Chicago Corporation	NBD Bancorp	Jul 12 1995	$5.11bn
BankAmerica Corp	Security Pacific Corporation	[illegible]	[illegible]
NCNB Corporation	C&S/Sovran Corporation	Jul 22 1991	$4.46bn

Source: Datastream, SNL Securities

Syndicated bank loans in record increase

By Edward Luce in London

International syndicated bank lending jumped to a record $194.5bn in the three months to June on the back of increasingly fierce competition for new lending.

In its quarterly banking report, the Bank for International Settlements said the global syndicated loan market was subject to intensifying competition from new entrants to the market, including mutual funds, investment banks and insurance companies.

That – and the growing participation of many more formerly domestic-based banks in the international syndicated market – had helped increase overall lending volumes, as well as leading to tighter margins on loans. International syndicated lending in the first three months was slightly more than $122bn.

The report pointed to the growing number of emerging market borrowers able to negotiate wafer-thin margins on their borrowings. Notable landmarks included loans to Czech and South African banks in the second quarter at a servicing cost of about 0.2 percentage points over Libor (the rate at which banks lend to each other). The same borrowers would probably have paid at least 1 percentage point over Libor for equivalent borrowing only 18 months ago.

"A number of borrowers succeeded in obtaining terms that were considered to have tested the limits of lenders' tolerance," said the BIS. But the report added there was "evidence of growing resistance [by banks] to a further erosion of margins with some banks even refusing to participate in low-return syndications".

Signs of banks' growing intolerance towards such tight market conditions included the increasing deployment of "transferability" clauses in syndicated loans. These enable banks to sell loans to other buyers in the secondary loan markets without the borrower's consent.

Such provisions enhance the liquidity of the loan and enable banks to undertake more profitable management of portfolios.

Banks are also demanding more "ancillary business" as a condition of low-cost loans.

Spanish power group fails to win $1.5bn Chile stake

By Imogen Mark in Santiago

Endesa, the Spanish power group, has failed to secure in full the $1.5bn stake it sought in Enersis, the Chilean-based electricity group, to take effective control of the company.

It was aiming to obtain shareholder rights which would have given it almost 30 per cent of Enersis. But when its tender offer closed on Saturday it had acquired rights to only 26 per cent, mainly from worker-shareholders.

This limited the number of seats on the Enersis board Endesa would would automatically have been entitled to had it achieved the 29 per cent it was seeking.

The deal was tripped up by institutional shareholders in Luz, one of the five investment companies, known as the Chispas, which collectively hold the package of shares Endesa was seeking to buy. Their refusal to sell the rights to their 3 per cent stake in Enersis threw some doubt on the final outcome.

The Luz institutional shareholders objected to Endesa's two-tier bid which offered 580 pesos per share to Luz shareholders who were also Enersis employees, but only 490 pesos to other Luz shareholders. They also argued that Luz shares were worth up to 800 pesos.

Endesa now has 10 days in which to decide whether to go ahead on the basis of the 26 per cent it has secured, or to buy another 3 per cent of Enersis shares directly in the market, or whether to back out of the deal. Purchase of a controlling stake in Enersis was an important element in its sales prospectus for its own forthcoming share offering expected in the next two months.

Sergio Undurraga, a former Enersis director who manages several private investment funds which together are the largest shareholder in Luz, has led the protest of the institutional investors.

He claims to represent more than 50 per cent of the Luz shareholders, who have requested a shareholders' meeting. Their aim is to force a decision to sell Luz's shares in Enersis on the open market. Mr Undurraga says he has had contact with senior Enersis executives to try to seek a solution, but is now waiting on the decision of Endesa.

TV specialist to run Optus

By Alan Cane in London

Cable and Wireless has appointed a specialist in broadcasting to take charge of Optus, its Australian communications subsidiary, the pay-television unit of which heavily lost money last year.

It is the third change of chief executive for Optus in two years and is seen as an attempt to rejuvenate the subsidiary's ailing television arm.

Chris Anderson, currently group chief executive for Television New Zealand, will take up the position on October 1. He succeeds Peter Howell-Davies who has been running the company in a caretaker role since June when Ziggy Switkowski, its former chief executive, took a senior management role at Telstra, Australia's national operator and Optus's chief rival.

Last week, Optus reported a A$411.8m (US$303m) loss in the year to June 30 against A$60.3m profit the year before, mainly because of a A$423.4m charge against Optus Vision, its pay-TV unit.

C&W says Optus is being given a new and more important role in the company's crucial Asia-Pacific strategy. It will become a regional hub in C&W's global network.

Combining telecoms and television, it is similar in structure to Cable and Wireless Communications, the UK based group which is at the heart of C&W's strategy.

Mr Anderson is currently a director of Clear Communications, New Zealand's second telecoms operator, and is well versed in the regulatory and legal barriers that can hinder a new competitor's efforts to take market share from an incumbent.

Mr Howell-Davies, a former head of Mercury in the UK, which has since become a part of C and W Communications, will continue as an executive director of Optus, reporting to Mr Anderson while a number of negotiations are completed. Richard Brown, C&W chief executive, said he had done "an exceptional job".

C&W also announced that Rod Olsen, its deputy chief executive and head of the group's Asia Pacific development board, would be relocating to Sydney next year.

Football club will complete a restructuring kicked off by £16m cash injection after takeover

Nottingham Forest heads for flotation

By Bertrand Benoit

Nottingham Forest Football Club is to go ahead with seeking a listing on the London Stock Exchange in what is expected to be a £40m flotation, it confirmed yesterday.

The operation, which will be underwritten by HSBC Investment Bank, follows the takeover of the first division club by a consortium of local businessmen last February.

The consortium said then it would be aiming at a flotation within a year.

The group, headed by Nigel Wray, said yesterday it would re-invest proceeds from the flotation in the club, which hopes to achieve promotion in the current season that started on August 9.

Currently top of the first division, Nottingham Forest was relegated after finishing 20th in the Premier League last season.

It would be the 19th English football club to achieve a stock market listing.

Its flotation will complete a restructuring kicked off by a £16m cash injection after the takeover in February. "We are very satisfied with the financial situation of the club," said Philip Soar, chief executive of Nottingham Forest. "We have a very good stadium and most of the big investments are behind us".

Nottingham Forest plc has net assets of £4.1m. Its only subsidiary, Nottingham Forest Football Club Limited, had a turnover of £14.4m in the 12 months to the end of May.

The news comes at what is expected to be the start of a calmer period for football club shares following turbulent trading last season that left some clubs heavily bruised.

The management of Nottingham Forest seems unfazed by the mixed results of past flotations. Mr Soar said yesterday the club's past Premier League record would boost investor confidence, although he would not comment on expected revenues this season.

On the club's prospects for regaining Premiership status at the end of the season, Mr Soar said: "We have virtually no chance of going downward."

Hearings on GMG deal

By Michael Smith in Brussels and John Willman

Formal hearings open at the European Commission this week into the competition implications of the £24bn ($39bn) merger of Guinness and Grand Metropolitan.

The two companies are also involved in a similar inquiry in the US, led by the Federal Trade Commission.

The authorities will be studying the market power of the merged company, to be called GMG Brands, which would have twice the turnover of Seagram of Canada and Allied Domecq of the UK, its largest competitors. It would account for 46 per cent of the global scotch whisky market, 37 per cent in vodka and 35 per cent in gin, according to Impact Databank.

The four-month EU inquiry was launched on June 20 after a month-long preliminary investigation highlighted what it considered to be "significant overlaps" between the two companies.

On Thursday and Friday executives from the two companies will give their response in Brussels to Commission concerns outlined in a so-called "statement of objections" sent to the companies on August 21.

The Commission identified four main areas of concern:

*The combined group would have more than 40 per cent of the whisky market in certain European markets – in particular Spain and Greece.

*Its share of the whisky distilleries in Scotland might enable it to influence the market position and pricing strategies of competitors.

*It would have significant market share of gin and vodka in some countries.

*Its bargaining clout with customers would be greatly increased through ownership of such a large portfolio of "must stock" brands including Johnny Walker, Bell's and J&B scotch whisky, Gordon's gin and Smirnoff vodka.

Mergers which are the subject of such in-depth investigations often require changes. For example, the Commission can seek divestment of businesses by the companies.

Neither company is sending its top executives to this week's hearings, which will be held by competition officials in private. The Commission will also seek the views of competitors before it reaches its conclusions, due by October 21.

The US Federal Trade Commission is also expected to reach its conclusions at around the same time. The merger will give GMG 25.4 per cent of the US spirits market, and about 60 per cent of US standard scotch sales, and there is speculation that GMG brands will be required to sell off at least one scotch brand.

Meanwhile, Bernard Arnault, chairman of LVMH, the French luxury goods group, will renew his attempts to have the deal restructured to include Moët Hennessy, his drinks subsidiary. During August, further dealing in the two companies' shares left him with 11.47 per cent of Guinness shares and 11.1 per cent of GrandMet.

Sygma

Bernard Arnault: *attempting to have the deal restructured*

There's more to it than playing the tartan card

Alan Cane assesses the rise of ScottishTelecom as the group unveils its latest strategic alliance

One could argue that any telecoms company with "Scottish" in its title could make money marketing cans joined by pieces of string north of the Border, but playing the tartan card is not that simple.

Rod Matthews, ScottishTelecom's chief executive, points out that securing value for money is at least as important a trait among his clients.

Hence the company, the wholly-owned telecommunications arm of ScottishPower, is expected today to announce the name of its partner in a joint venture in cellular phones which should strengthen its credentials as an integrated telecoms operator, offering a full fixed and mobile service in Scotland.

It will be the latest in a series of canny deals and strategic alliances which have seen the Glasgow-based group break even at the post-depreciation level after only two years in business.

It first offered services on November 22 1994; and, in the few months to March 31 1995, it turned over £2m. In the following year it turned over £16.1m and lost £2.4m after depreciation. Of the £16.1m, £10m was accounted for by services to the ScottishPower group.

In its second full year it broke even post-depreciation, turning over £54m of which £16m could be attributed to the parent group.

This financial year, analysts anticipate a turnover of £100m with profits of about £5m. New operators usually run up losses for between four and six years before creeping into profit, because of the capital cost of network construction and expense of winning customers from the incumbent operator.

ST has bucked this trend by adopting a broad service approach to a geographically and culturally distinct market: "We aim to get a margin on any product we put out," says Mr Matthews.

His published ambition to secure 10 per cent of the £2bn Scottish market by 2000 – the company currently has 4.7 per cent – seems eminently attainable.

While accepting the strength of ST's local branding – its freephone, local and premium rate services all have nationalistic names like "Scotfree", "Local Scot", and "ScotPlus" – there is more to it than simply playing the tartan card, he says.

The list of more than 250 blue chip customers includes three Scottish clearing banks, four Scottish life assurance companies, IBM, Microsoft, the Inland Revenue and 14 Scottish universities.

ST has several features in common with Energis, the telecoms subsidiary of the National Grid. Both have created a low cost, high quality trunk network featuring the most advanced transmission technology by winding fibre optic cable around their parent companies' power cables. ST now has 1650 kilometres of cable. Mr Matthews rejects the argument that transmission has become a low-margin, commodity business: "If you sweat the assets reasonably, you can make good money out of transmission" he says.

A key alliance, however, is the group's capacity-sharing agreement with Energis. Essentially, the two companies operate as if each owned the other's network. The agreement gives ST access to Energis' network at an advantageous and competitive rate. The cost to ST of London-bound traffic is therefore comparatively low. It is also able to carry Scotland-bound traffic from London-based operators such as Colt and MFS back over the same network at a profit.

A second important agreement is with Ionica, the Cambridge-based UK pioneer of fixed radio access.

Mr Matthews paid Ionica £22m for the rights to its technology, for its licence to use the technology in Scotland and for the necessary radio spectrum.

ST is using the Ionica technology to overcome the problem of British Telecommunications' dominance of the "local loop", the final connection between the exchange and the home or office.

In conventional mobile telephony, however, ST is a service provider for Vodafone, the largest UK operator, selling airtime to some 30,000 customers in Scotland and managing service and billing. It also provides Vodafone with fixed transmission capacity.

In addition to fixed, mobile and radio telephony , ST offers a range of premium rate services such as "Weather Call", "Race Call", and "Marine Call", all of which create traffic across the network. A data service, Scotland On Line, is operated in conjunction with the publisher DC Thompson.

The range of activities in which ST is involved makes for complex management in a company of only 1200 people. Mr Matthews' chief concern is to be able to attract and retain the right calibre.

He remains open minded about the possibility of flotation or a strategic alliance with an overseas company, aware that ST could be seen as a 'Trojan Horse' for the UK and Europe.

CWC/BSkyB deal threatens cable movies

By Christopher Price

Plans by the UK cable industry to launch its own movie channel face cancellation following the decision by Cable & Wireless Communications, the largest cable company, to sign an exclusive programme supply contract with the broadcasting group BSkyB.

The agreement between the two groups has prompted a deep split in the cable industry, which has up to now presented a united front in its attempt to persuade BSkyB to allow the cable companies to "unbundle" the broadcaster's package of channels and offer them individually to subscribers.

CWC's decision to break ranks and accept BSkyB's new contract is seen as undermining the ability of the rest of the industry to exert pressure on the broadcaster, and also on moves to establish cable's own programme supply.

Nicholas Mearing-Smith, CWC finance director, said the company now had no interest in originating its own programmes. He added that the new BSkyB contract would contain "limited unbundling" of the broadcaster's channel packages.

This provoked a strong attack from two of the cable companies, which said it would be wrong for BSkyB to offer different terms of contract and warned they may consult the Office of Fair Trading.

The OFT is already investigating the issue of programme packages and unbundling.

CWC's decision to abandon any interests in establishing a production arm to the cable industry will come as a blow to those who believed the move would have been a crucial bargaining tool in with BSkyB.

In particular, CWC's decision will seriously undermine the cable industry's move to create its own film channel.

Telewest, the second biggest cable group, has been spearheading attempts to negotiate a deal with Hollywood studios. However, the CWC move will remove the richest and biggest cable group from the consortium.

The CWC/BSkyB agreement will also cover the launch of a digital service next year. This will introduce up to 200 channels, many of which have been earmarked for pay-per-view events such as movies and sport.

Tension between the industry and BSkyB was evident last week when Telewest and other cable groups indicated they would be dropping Sky News in favour of the BBC's new 24-hour news service.

BTP pays £33m for Yorkshire

By Emiko Terazono

Reflecting its appetite for bolt-on purchases, BTP, the UK speciality chemicals group, is to pay £33m ($53.8m) for the leather and speciality chemicals operations of Yorkshire Group, the textile dyes and chemical company.

The move follows BTP's £44.4m purchase earlier this year of PCR, a fine chemicals manufacturer based in the US.

Yorkshire's leather and speciality chemicals division made £5.7m in operating profits last year and has net assets of £24.8m. The deal is expected to be earnings enhancing in the first year of ownership.

BTP is likely to pay cash for the business, which complements Hodgson Chemicals, its performance chemicals subsidiary. BTP is expected to combine the two operations, both based in the UK.

The move is part of a continuing reorganisation at Yorkshire, formerly known as Yorkshire Chemicals.

Stuart Wallis, who joined the company last year as chairman from Fisons, has been seeking to sell its peripheral businesses to allow it to focus on its core textile dyes operations.

He has also indicated his interest in selling the company's Australian inks and pigment dispersion businesses.

Yorkshire is also looking to form strategic alliances with other partners.

COMPANIES AND FINANCE

KPN lifts earnings by 9% in first half

By Gordon Cramb in Amsterdam

First-half net profits rose just under 9 per cent at KPN, the Dutch posts and telecommunications utility, as it struggled to extract growth from an increasingly competitive phone services market.

Its mail division also delivered only a marginal initial contribution from TNT, the Australian parcels group for which it paid A$2bn (US$1.47bn) late last year. Although the incorporation of TNT and the related GD Express Worldwide were the main factors in a 50.7 per cent jump in operating income to Fl 630m at its PTT Post unit, financing costs and tax meant that only a small proportion of the increase fed through to the bottom line.

Overall net profits rose 8.8 per cent to nearly Fl 1.32bn ($651m), in line with analysts' expectations. Earnings were also held back by a rise of only 1.7 per cent in operating income to Fl 1.8bn at PTT Telecom, which has been losing market share on international calls to new competitors as the industry undergoes a phased deregulation.

Under a plan announced in June, the posts and telecoms businesses are to become separate quoted companies in a split intended to take place in the first half of next year. For what is therefore expected to be its final year in its present form, KPN forecast "satisfactory" growth in net income. Following a convention observed by many Dutch companies, this signals a rise of 7 to 12 per cent from the Fl 2.46bn recorded in 1996.

From July, KPN also lost its *monopoly on domestic fixed-line* services, although new entrants such as British Telecommunications of the UK are not yet engaged in a frontal assault on that market. In January to June it saw 5.6 per cent growth in turnover from national telephony – in part because internet users fuelled demand for broad-band ISDN lines.

Main growth came in mobile phones, where revenues were up 28.1 per cent to Fl 1.11bn. KPN's investments in telecoms companies in Ireland, the Czech Republic and Indonesia meant earnings from *associates entered the black*. Unisource, the problem-laden venture with its Swiss and Swedish counterparts and AT&T of the US, reduced its losses.

Results were also helped by a more than halving of capital expenditure to Fl 1.54bn mainly because KPN deconsolidated its interests in cable television, under pressure from the government, which still owns 45 per cent.

The cable business may be floated at the same time as the post and telecoms entities sever their links.

See Lex

SAT-1 upbeat as revamp pays off

By Frederick Stüdemann in Berlin

SAT-1, Germany's second-biggest commercial television station, said it expected to make a profit in 1997. It was the first sign that a comprehensive restructuring of the company, which in recent years had been losing both money and viewers, is starting to take effect.

Arno Waschkau, business director, said the turnround had been driven by better programming pitched at 14–49 year olds, the market segment considered most important by advertisers.

He declined to say how large the expected profit would be.

This year SAT-1 had also benefited from a "significant" capital injection from its shareholders, the media company Kirch Group and Springer, a publisher, to finance a series of restructuring measures.

These include the concentration of all the company's activities in Berlin and a reorganisation of programming strategy.

Television companies typically spread their calculations for return on investment over three transmissions of a particular programme or series. In future SAT-1 will expect significantly more return from the first transmission.

Belgacom charge hits Tele Danmark

By Hilary Barnes in Copenhagen

Early retirement payments for employees in its associated company, Belgacom, the Belgian telephone concern, cost Tele Danmark DKr873m in the first half of the year, according to the Danish company's interim statement.

The charge was the main factor in a fall in pre-tax profits from DKr3.17bn to DKr1.86bn ($271m).

Net profits were down from DKr1.34bn to DKr1.06bn, taking earnings per share from DKr10.23 to DKr8.15. Group turnover increased from DKr10.92bn to DKr12.84bn.

Excluding the Belgacom payments, net profits were 20 per cent up on last year, said the company.

It added that the full-year result would be hit by redundancy payments to Danish personnel and would be "significantly" lower than last year's DKr3.1bn.

Tele Danmark acquired a 16 per cent stake in Belgacom in April last year. The Belgian company contributed DKr524m to the Danish company's gross operating profits in the first half.

The Danish state owns 52 per cent of Tele Danmark, but plans a privatisation sale in 1998.

The group reported a 4.5 per cent advance in turnover on Danish business to DKr10.1bn, including an 18 per cent increase in revenue from cellular traffic to DKr1.31bn. Cellular calls now account for 25 per cent of turnover in domestic phone calls.

The rise in the number of cellular subscribers slowed to 9.2 per cent, to reach a total of 841,000. The rate of growth for the whole of 1996 was 46 per cent.

However, measured in minutes used, cellular traffic increased by 23 per cent in the first half.

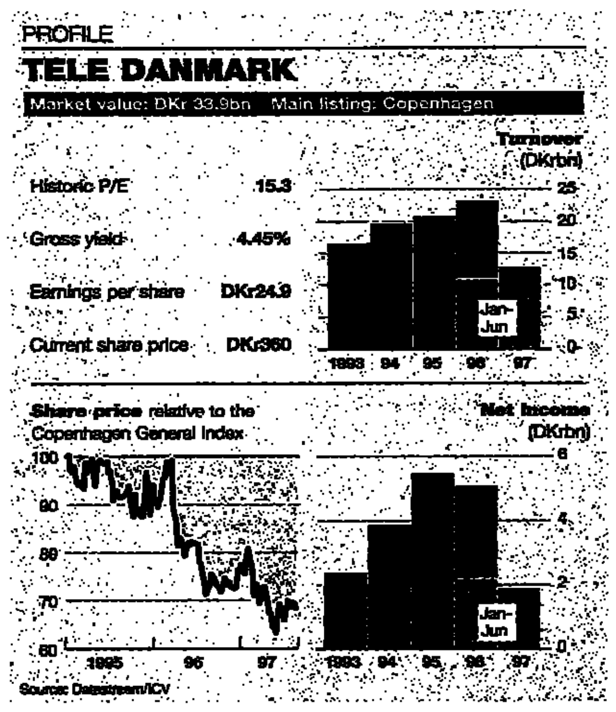
Tele Danmark estimates its share of the cellular market as 60 per cent.

Competition for international calls caused the company's turnover to fall by 13 per cent to DKr1.27bn.

The company said it estimated that its share of international calls out of Denmark had fallen to about 80 per cent from 90-95 per cent at the end of last year.

Turnover from the group's international operations (excluding Belgacom) increased by 134 per cent to DKr461m, but these operations yielded a loss of about DKr68m.

The company has shares in a number of mobile phone operations in eastern and central Europe and recently acquired Talkline, the German service provider.



Restructuring costs put Bezeq in the red

By Judy Dempsey in Jerusalem

Bezeq, Israel's state-controlled telecommunications company, yesterday reported a net loss of Shk409m ($116m) for the first half of 1997 after taking a Shk1bn write-off for a big restructuring programme.

However, revenues remained buoyant despite the recent introduction of competition in international telephone calls. The net losses of Shk595m in the second quarter, after net income of Shk144m in the first, were due to an early retirement programme announced last month, when the company said it would reduce the 9,000 workforce by nearly 20 per cent.

The restructuring, which will cost Bezeq Shk1bn, was introduced to pave the way for domestic competition in the telecoms sector scheduled for 1999, as well as further privatisation when the government intends to reduce its holding from 67 per cent to just above 51 per cent by the end of the year.

Izzy Tapoohi, chairman, said the restructuring would save the company Shk400m each year and he expected to get a return on that investment in four years.

But analysts said profitability could suffer further by the end of the year when the real impact of international competition bites into Bezeq's market share.

Since the international telephone sector was opened to full competition in July, Bezeq has cut the cost of calls by 75 per cent. It said its share of that market had fallen to about 54 per cent, which will influence this year's profitability.

International telephone calls last year accounted for nearly 30 per cent of the company's revenues of Shk8.28bn. Net income totalled Shk658m.

Despite strong competition, revenues for the first six months of this year increased 4.3 per cent from Shk4.2bn to Shk4.4bn. Part of the reason is Bezeq's more aggressive marketing strategy, aimed at winning new customers before the domestic market opens. Operating profits climbed 20.7 per cent, from Shk661m to Shk799m.

Economic woes take toll on Thai banks

By William Barnes in Bangkok

Thai Farmers Bank, Thailand's third largest bank, reported a 19 per cent drop in audited first-half profits, after earlier warnings by its president, Mr Banthoon Lamsam, that the economic slowdown would hurt earnings this year.

Thai Farmers Bank is thought to have been one of the beneficiaries of a flight to quality by panicky investors, following the authorities' recent closure of two-thirds of the country's finance sector.

But the slowdown in economic activity to a level not seen for 30 years is eroding banks' asset quality at the same time as it suppresses credit growth.

Thai Farmers said its audited net profit in the first six months of 1997 was Bt5bn ($146.2m), compared with Bt6.18bn in 1996.

At the Bank of Ayudhya, audited first-half profits tumbled 21 per cent from Bt2.46bn to Bt1.95bn.

Krungthai Thanakit, a big state-controlled finance house, said that its net profits plummeted to Bt44.1m over the first half of 1997, against Bt663.7m in the same period last year. Its earnings per share fell to Bt0.19, compared with Bt2.93 in 1996.

The company did not say why profits had fallen so sharply. However, the finance sector has been devastated as aggressive boom-time lending to the now collapsed property market, and to now hard-pressed hire-purchase customers, has turned into bad debt.

Dhana Siam Finance & Securities said its profits had crashed 84 per cent in the first half to Bt118.1m, from Bt729.7m a year earlier. The company did not explain why unaudited net profits reported in July at Bt131.9m had shrunk even more.

The two finance houses were not in the total of 58 out of 91 houses suspended from trading by the authorities after Bt430bn of central bank money failed to stave off bankruptcy.

Meanwhile, Japan's Sakura Bank, which has been one the leading Japanese financiers of the 10-year-long economic boom, denied that it had a very heavy exposure to bad loans in Thailand.

Telstra falls into red

By Elizabeth Robinson in Sydney

Telstra, the Australian telecommunications group which is floating one third of its shares in November, yesterday reported a 30 per cent fall in net profits to A$1.62bn (US$1.2bn) for the year ended June 30, after exceptional losses of A$1.7bn.

The losses included a A$476m charge on rationalising its broadband network, a A$342m assets write-down and a A$394m loss on the Jindalee radar project. It also took a A$1.13bn charge for redundancies.

The losses were partially offset by A$606m from accounting changes.

Telstra has reined back the roll-out of its cable network to reach 2.5m homes passed, instead of the original target of 4m homes. Frank Blount, chief executive, insisted: "We are pausing, we're not stopping and we will decide later whether or not the market is there to continue to roll out."

Foxtel, the joint pay-TV venture of Telstra and News Corporation, reported losses of A$212m and Telstra would not forecast when the cable network would start to return profits.

Profits before exceptional items rose 17.4 per cent to A$3.8bn on sales up 5 per cent to A$15.98bn. Mr Blount said much of the sales growth was fuelled by newer and value-added products such as mobile telephony and data services.

Some 10,000 staff were cut, with another 7,000 jobs to be shed this year. Telstra has previously said it would cut 25,000 jobs from its 65,000 staff over four years.

Analysts had expected the extent of the write-downs as Telstra prepares for its stock market debut. The Telstra offer is expected to yield more than A$10bn for the government.

The offer documents will be sent out in October, with the listing likely in November, subject to market conditions. John Fahey, finance minister, said earlier this week he was "very satisfied" with initial reaction to the float.

Toshiba to close plant

By Michiyo Nakamoto in Tokyo

Toshiba, the Japanese electronics manufacturer, is to stop making video tape recorders at its plant in Singapore, which it owns jointly with Thomson Multimedia, and buy VTRs from Thailand and China instead.

The joint venture company, International Video Products, has been Toshiba's VTR production base in the region since 1989, and its closure will mean the Japanese company no longer manufactures VTRs in Asia.

Toshiba, which makes VTRs in the UK and Brazil, stopped manufacturing VTRs in Japan when it shifted production to China in June. It will buy VTRs made to its specifications from Thomson Multimedia's manufacturing plant in Thailand and increase procurement from a factory in China.

The company said its decision to halt manufacturing in Singapore stemmed from a variety of factors, including the severe competition in the VTR market, where prices have fallen significantly, and its low growth prospects in the years ahead.

Japanese manufacturers have, over the years, shifted a large volume of VTR production out of Japan to other low-cost Asian countries.

Overseas production of VTRs by Japanese manufacturers surpassed domestic production in 1994 and has since risen to 26,647 units last year, against domestic production of just 9,984 units.

Toshiba's move, however, highlights the growing difference in costs among Asian countries, which is making it increasingly necessary for manufacturers to shift production bases within the region.

Research and development activities, including the joint development of VTRs with Thomson Multimedia, will be kept in Singapore, where Toshiba's video products company, TVVP, will continue to function as the video headquarters in charge of planning, marketing and servicing for the region.

INTERNATIONAL NEWS DIGEST

Capital gains help lift Bank Leumi

Bank Leumi, Israel's second largest bank, yesterday said net profits for the first half of the year surged 240 per cent to Shk801m ($228m), fuelled by capital gains of Shk464.4m, but also by an improvement in capital markets operations and cost control. The capital gains include the sale of its shares in Leumi Insurance Holdings and Africa Israel Investments, its non-banking holdings.

Net profits, excluding the gains, rose 85 per cent to Shk334.5m from Shk180.7m a year earlier, giving the bank an 8.9 per cent return on capital compared with 5 per cent last time. Operating and other income rose 5.7 per cent to Shk1.17bn against Shk1.1bn in the same period last year, including a 38 per cent jump to Shk586.3m in the second quarter. Bank Leumi increased provisions for doubtful debts by 35.9 per cent from Shk246.2m during the first half of 1996 to Shk334.6m this year. *Judy Dempsey, Jerusalem*

■ GERMAN BANKING

Dresdner plays down rumours

Germany's Dresdner Bank yesterday reaffirmed its interest in expanding in the US market, but played down reports that it was seeking a minority stake in US investment bank Donaldson, Lufkin & Jenrette. The Frankfurter Allgemeine Zeitung said Dresdner wanted to buy 20 per cent of DLJ and was in talks with French insurance group Axa-UAP, which owns a stake in DLJ through its US insurance unit The Equitable. Dresdner said it was not currently negotiating to take over an investment bank. Equitable owns 80 per cent of DLJ after bringing 20 per cent of the investment bank to the market in a public offering in October 1995. *Andrew Fisher, Frankfurt*

■ SWEDISH BANKING

FöreningsSparbanken dividend

FöreningsSparbanken, the newly merged Swedish banking group, will pay a maiden dividend of SKr6 this year. The bank, formed by the merger this year of Sparbanken and its smaller rival Föreningsbanken, also said restructuring plans involving a 3,000 cut in staff were ahead of schedule. The restructuring is expected to generate cost savings of SKr1.5bn ($191m), mainly by eradicating duplication in the branch network. *Tim Burt, Stockholm*

■ TAIWAN SHIPPING

Downturn at Evergreen Marine

Results at Evergreen Marine, the Taiwanese shipping concern, slid during the first half of this year. Evergreen, one of the world's biggest containerised shipping lines, posted turnover of T$13.7bn ($477m) down from T$15.8bn last year. Net profits fell from T$1.7bn to T$943m and earnings per share from T$1.11 to T$0.56. *Laura Tyson, Taipei*

■ AUSTRALIAN MINING

Great Fitzroy buys Cobar mine

Great Fitzroy Mines, an Australian company, is paying A$36.8m (US$27m) to buy the Cobar copper mine in New South Wales from Ashanti Goldfields of Ghana, a move it hopes will pave the way to a listing on the London Stock Exchange. Peter Prentice, managing director, said Great Fitzroy expected to increase annual output at Cobar from 34,000 to 45,000 tonnes in about a year and this would help to reduce cash operating costs from 90 US cents a pound to 75 cents.

Great Fitzroy, which will change its name to Copper Mines and Metals, is also to increase its stake in the Hiab copper project in Namibia from 20 to 55 per cent by agreement with its partner, Namibian Copper Mines. Hiab is expected to start up in two years with a targeted annual output of 115,000 tonnes of copper and 17,000 troy ounces of gold. *Kenneth Gooding, Mining Correspondent*

FINANCIAL TIMES MARKETS THIS WEEK

Global Investor/ Philip Coggan

A dilemma for active managers

Times are hard for active managers. In the US, professional investors have struggled to beat the S&P 500 as a handful of stocks – "the new Nifty Fifty" – have driven the market higher. In the UK, investors have not only missed the bull market on Wall Street but have recently struggled with their domestic stock selection.

It would be no surprise, therefore, if fund trustees started to turn their thoughts towards switching to a passive index-tracking approach, particularly in the international arena.

But Paul Woolley of fund management group GMO Woolley argues that this would be a retrograde step. He argues that, since the early 1980s, the performance of fund managers has gone through three distinct phases.

In the first phase, from 1982-88, the median fund manager, as measured by Caps, underperformed the world ex-UK index by an average of 4.7 per cent per annum. This was a period when all world stock markets were strong and fund managers' biggest mistake was to be underweight in Japanese equities, at a time when the "bubble economy" was developing.

In the second phase, from 1989-93, fund managers outperformed the index by an annual average of 6.3 per cent. Stock markets were generally weaker and the Japanese bubble collapsed. "There was a reversion to more fundamental values in the pricing of markets and individual securities" he argues.

The third phase started in 1994 and, according to Woolley, investors "have witnessed a recurrence of exuberant conditions in equity markets. The US bull market has been building for several years, and within the principal western markets there has been exceptional price momentum among the largest stocks in a few sectors. Once again, fund managers have underperformed during the latest phase – by an average of 2.9 per cent a year.

Woolley argues that active managers generally underperform in periods of market euphoria and distortions from fair value. Accordingly, if trustees switch from active to passive management after a period of underperformance, they run the risk of locking in the distortions.

"Indexing implies investing the greater proportion of the fund in the markets and currencies which have risen most and to invest least in the markets which have done least well" he says. "Such a strategy is a recipe for underperformance."

Indeed, a notional global investor who had indexed their portfolio in the 1980s would have wound up with a massive holding in Japan just when that market peaked.

Active management should, in theory at least, have much more scope to be successful in international markets. While highly developed markets such as the US may be close to being efficient, that is much less true of emerging markets.

And while the flow of capital round the world has increased dramatically in the last 20 years, there are still cultural and structural barriers to be overcome. Factors such as patterns of ownership, liquidity or accounting rules mean that investors may ignore certain stocks or markets.

It may also be true that international investors are slow to spot developments in other countries, such as the revival in US industrial fortunes which has driven the Wall Street bull market or the weakening of Asian economies which has prompted the recent sell-off in the region.

The conditions that Woolley suggests are best for active investors may be emerging. The shine has come off the global bull market. Indices have fallen back though the round numbers – 8,000 on the Dow, 5,000 on the Footsie, 4,000 for the Dax and 3,000 for the CAC 40 – they breached earlier in the summer. Indeed, the German market has already experienced a correction, if one accepts that the term refers to a drop of at least 10 per cent.

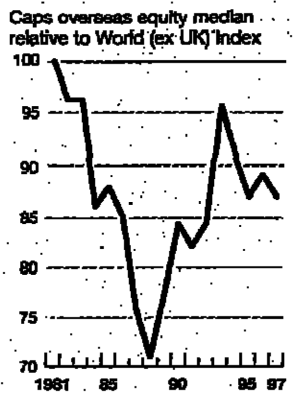
Furthermore, there are signs in both the US and the UK that small company shares may be reversing their long period of underperformance. Fund managers generally find it easier to beat the index when small stocks are performing well.

Of course, world markets have wobbled before, in the summer of 1996 and the spring of 1997, only to bounce back with renewed strength on each occasion. What will finally drive the stake into the heart of the bulls will be actual interest rate rises, rather than merely the threat of them, in the US and Germany.

Mind you, if it takes a bear market to help active managers outperform, that will not be of much comfort to clients.

Funds fall behind

Caps overseas equity median relative to World (ex UK) index



Source: GMO Woolley

Total return in local currency to 28/08/97

	% change over period US	Japan	Germany	France	Italy	UK
Cash						
Week	0.11	0.01	0.06	0.06	0.13	0.14
Month	0.47	0.05	0.26	0.28	0.58	0.57
Year	6.01	0.72	3.37	4.26	8.50	6.02
Bonds 3-5 year						
Week	–0.34	0.07	–0.23	–0.20	–0.34	–0.09
Month	–0.22	0.63	–0.37	–0.14	–0.55	0.49
Year	7.58	5.43	6.65	7.94	16.18	6.99
Bonds 7-10 year						
Week	–0.68	0.13	–0.63	–0.52	–0.98	–0.38
Month	–0.91	1.10	–0.70	–0.57	–1.36	0.15
Year	8.71	10.52	11.43	12.51	26.48	11.47
Equities						
Week	–2.2	–3.4	–6.6	–4.0	–2.1	–2.5
Month	–3.1	–7.2	–8.7	–6.0	–6.8	0.4
Year	38.2	–5.0	52.5	43.0	52.3	24.9

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Extel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

Compiled By AFX News

Sharp rises expected at Elf Aquitaine and Total

Elf Aquitaine and Total, the French oil companies, are both expected to report sharply higher net profits for the first half.

A significant rise in the dollar against the franc largely offset the impact of tumbling crude oil prices over the period, said analysts, while cost-cutting measures at both companies, recovering refining margins and improving results from chemicals operations will have added to profitability.

Net profit for Total, which reports on Wednesday, is expected at FFr3.65bn-FFr3.83bn ($580m-$610m) compared with FFr2.64bn in the first half of 1996, while Elf is expected to announce on Thursday net profits of FFr4.8bn-FFr5.07bn against FFr3.56bn in the first six months of 1996. "The numbers for both companies are going to be very good," said Peter Hitchens, analyst at brokers Williams de Broë. "Refining margins will have been good, chemicals are improving and most importantly, there was a strong currency effect."

■ **Gist-Brocades** is expected to report today net profits of Fl 64m-Fl 68m ($30.9m-$32.8m) for the six months to June, down from Fl 79.7m a year earlier, analysts said. Earnings per share are are expected to fall to Fl 1.56-Fl 1.69 against Fl 1.78.

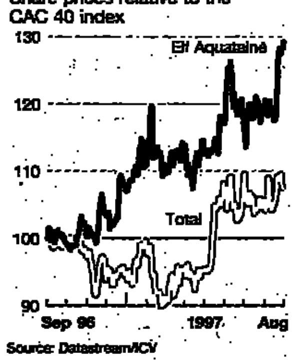
Analysts based their forecasts on the profit warning issued by the company at the beginning of August, when it said full-year profits were expected to show a slight decline from a year earlier because of an unexpectedly sharp decline in prices for penicillin and a number of derivatives, mainly in the second quarter. The company had previously forecast a "clear" increase in full-year profits, which analysts interpreted as meaning a rise of 7-12 per cent.

John David Roeg, Bank Labouchere analyst, said that while the drop in penicillin prices was a "disaster" for the company, "if this happened 10 years ago, the expected profit decline would be much higher than the slight decline Gist-Brocades now expects," because of positive trends at the group's other two divisions, bakery ingredients and speciality foods.

'In its profit warning the company had said that those two divisions were "running fully according to expectations, which means that higher contributions to operating income can be expected in 1997".

French oil companies

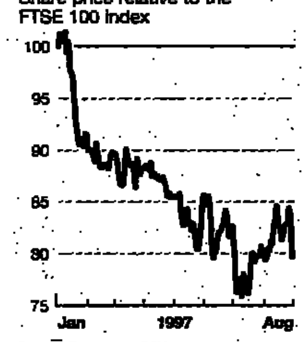
Share prices relative to the CAC 40 index



Source: Datastream/ICV

Burmah Castrol

Share price relative to the FTSE 100 index



Source: Datastream/ICV

■ **Burmah Castrol**, the oil company, reports interim results today and analysts expect underlying figures to be broadly similar to last time's £67.7m ($110.4m) largely because of the impact of strong sterling. The dividend is expected to increase from 12p to about 13p.

Uncertainty on Asian markets is likely to prompt questions from analysts on the latest trading news.

■ **Bunzl**, the UK paper and packaging group, reports results for the six months to June 30 today and investors will be anxious to hear the effects of the strength of the pound against the dollar. Panmure Gordon, house broker, is forecasting a pre-tax result of £56m, against £55.8m last time. Although the headline result may be static, Bunzl is a large dollar earner, so the figures are likely to show underlying progress hampered by the effects of translation into stronger sterling.

■ Interim results tomorrow from **CRH**, the Republic of Ireland's largest industrial group, are expected to reflect greater seasonality of the business following its US acquisitions. For the past four years the proportion of annual pre-tax profits made in the first half has been about 35 per cent, which is expected to fall as a result. Davy, the house broker, is forecasting a 3.2 per cent decline in six-month pre-tax profits to I£62m ($91.8m).

■ Interim pre-tax profits for **Wimpey**, Britain's biggest housebuilder, are expected to fall within a range of £55m-£59m compared with losses of £8.6m. The results, announced tomorrow, are expected to offer some indication on the cost increases the industry is facing.

■ **CMG**, the Anglo-Dutch computer services group, reports results tomorrow for the half year to June 30. ABN Amro Hoare Govett, house broker, expects pre-tax profits of £12.9m and earnings per share of 12.9p on sales of £126m. Last time, profits rose from £8.6m to £11.3m. The company has already said that both sales and earnings for the first four months of 1997 were well ahead of the equivalent 1996 period.

■ **Cairn Energy**, the Edinburgh-based energy company, will announce results for the half year to June 30 on Thursday. Analysts expect pre-tax profits of £10m-£13m on turnover of about £55m. Attention will focus on news about Cairn's exploration activities in Bangladesh.

■ **Sema**, the information technology group, announces first-half pre-tax profits on Thursday, expected to be about £25m on turnover of about £540m.

Analysts will be looking for more detail on the merger with Financiere Sema. Signals that the company is progressing with its plans to consolidate and to break into the US market would be welcomed.

INTERNATIONAL EQUITIES By Vincent Boland

New issues get a reality check

While Europe's politicians and investment bankers took their buckets and spades to the beach over the past few weeks, the continent's stock markets got an attack of vertigo.

And as they drift back to work this week, the question on the sunkissed financiers' minds must be whether that was a good or bad sign for the flood of privatisation issues scheduled for the next four months.

Cash-hungry administrations – many of them looking to fill budgetary holes thrown up by efforts to qualify for European monetary union – will be seeking to raise up to $40bn (£24.5bn) from selling state assets between now and the end of the year.

The undoubted success of those privatisations that were completed in the first half of the year augured well for another round of sell-offs in the second half. Stock markets raced up strongly on the strength of new issues and huge liquidity, as retail investors deserted the bond markets, with their declining yields, in search of value.

Now, key European markets have seen a correction of between 10 and 15 per cent over the past two months. But rather than causing a rethink, the falls are being interpreted as a reality check for officials and investors whose expectations of returns were getting as inflated as share prices.

"In Europe the correction has been healthy, and much more marked than on Wall Street," said Camilla Reeves at fund management group Guinness Flight Hambros. "I'm reasonably confident that if Wall Street holds up investors will come back from holiday and see equity markets are now 10 to 15 per cent lower and think that offers a buying opportunity."

Last week's sale by Renault, the French vehicle maker, of its remaining stake in Volvo of Sweden, in a transaction valued at $320m, was taken as evidence that demand for new shares entering the market is still buoyant. Morgan Stanley Dean Witter, the investment bank, bought the shares from Renault and sold them on to institutional investors within two hours.

But the crowded privatisation schedule over the next few months will put heavy demands on liquidity. Some bankers say corporate issuers, nervous about the jittery state of markets, are seeking to jump the queue to get their issues out of the way before the big privatisations, many of them of telecoms companies, begin in late September.

"There are some companies scheduled to have offerings at the end of the year that are now looking to do them earlier because of market nervousness," one investment banker said.

Clearly, no government wants to see a downturn in share prices generally while in the middle of planning a flagship privatisation. And while market watchers do not expect anything dramatic to happen, it does not take much to spark a sharp correction – a turnround in interest rates, for example, similar to that in early 1994, which caught governments trying to sell privatisation issues at end-1993 prices and forced a scaling-down of new issue activity as liquidity dried up.

Two months ago it looked as if markets were heading higher indefinitely, and there was little on the horizon to trouble them. Now, said one London-based fund manager, "politicians must be hoping the party is not going to come to an end just when they want more".

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY AUGUST 29 1997 US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	THURSDAY AUGUST 28 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	222.93	0.5	203.79	169.51	208.64	201.89	8.7	3.81	227.55	208.89	170.42	212.51	205.48	243.87	200.17	205.99
Austria (25)	192.92	1.6	176.36	146.69	180.59	180.47	18.7	1.83	195.48	179.45	146.40	182.56	182.49	206.00	174.70	180.82
Belgium (28)	235.83	3.6	215.59	179.32	220.71	216.12	21.2	3.16	235.59	216.27	176.45	220.02	215.49	261.11	213.82	215.98
Brazil (30)	255.55	34.7	233.61	194.31	239.18	513.66	41.6	1.43	271.50	249.24	203.35	253.56	545.39	322.44	177.95	178.61
Canada (126)	211.75	11.5	193.57	161.01	198.18	212.90	13.0	1.75	212.89	195.44	159.45	198.83	213.94	224.03	162.51	163.56
Denmark (32)	379.78	7.9	347.18	288.77	355.44	354.06	25.4	1.55	390.35	358.34	292.35	364.55	363.10	421.25	317.47	319.07
Finland (28)	285.19	16.1	260.71	216.85	266.91	324.40	36.5	1.70	291.94	268.00	218.65	272.85	330.33	314.06	205.98	214.22
France (83)	217.46	1.6	198.81	165.36	203.54	206.92	18.5	2.55	222.30	204.07	166.49	207.61	210.83	237.57	187.42	188.37
Germany (59)	215.16	13.2	196.59	163.60	201.37	201.37	32.3	1.42	219.13	201.16	164.12	204.65	204.85	238.42	172.93	176.83
Hong Kong, China (66)	491.58	–3.0	449.38	373.78	460.07	489.05	–2.9	3.17	517.63	475.19	387.89	483.43	514.84	580.03	421.41	434.57
Indonesia (27)	136.93	–40.0	125.18	104.12	128.15	247.81	–25.1	2.62	146.62	134.80	109.82	136.94	268.95	254.90	136.93	192.10
Ireland (17)	367.53	11.8	335.98	279.46	343.97	348.21	27.2	2.90	369.77	339.45	276.94	345.34	351.22	378.16	286.62	289.59
Italy (53)	99.14	18.8	90.63	75.38	92.78	130.36	37.5	1.82	98.07	90.03	73.45	91.59	128.65	105.79	73.26	76.13
Japan (485)	122.85	–4.8	112.30	93.41	114.97	93.41	–1.4	0.85	125.65	115.35	94.11	117.35	94.11	147.81	107.57	144.54
Malaysia (107)	318.61	–47.2	291.26	242.26	298.19	357.76	–39.0	1.95	325.09	298.44	243.48	303.61	363.66	680.85	318.61	551.49
Mexico (27)	1664.13	36.4	1521.26	1265.35	1557.46	14153.68	34.8	1.58	1713.93	1573.41	1283.66	1600.68	14560.35	1864.38	1136.59	1281.74
Netherlands (19)	386.77	15.1	353.57	294.09	361.98	357.73	34.6	2.23	391.15	359.09	292.95	365.30	361.24	431.66	297.04	300.62
New Zealand (14)	87.35	–4.8	79.85	66.42	81.75	72.56	5.2	4.20	89.14	81.83	66.76	83.25	73.55	96.47	83.03	86.31
Norway (41)	323.71	9.5	295.92	246.14	302.96	327.50	27.9	1.88	321.83	295.44	241.04	300.56	324.62	330.72	248.20	250.58
Philippines (22)	106.19	–47.9	97.07	80.74	99.38	160.89	–39.7	1.29	110.41	101.36	82.69	103.12	166.58	214.07	106.19	205.19
Singapore (42)	299.45	–28.7	273.75	227.69	280.26	208.72	–22.9	1.51	309.64	284.25	231.91	289.18	217.46	448.01	299.45	401.64
South Africa (44)	337.59	6.0	308.61	256.69	315.95	348.17	6.3	2.49	340.25	312.36	254.83	317.77	349.65	370.12	301.49	337.70
Spain (33)	242.75	10.4	221.91	184.58	227.19	279.58	29.1	2.37	243.92	223.92	182.69	227.80	280.50	276.05	173.01	177.66
Sweden (49)	476.96	13.1	436.02	362.66	446.39	554.35	30.0	1.86	482.61	443.04	361.45	450.72	558.90	512.39	358.30	363.18
Switzerland (33)	285.85	19.8	261.31	217.35	267.53	263.01	32.4	1.27	286.39	262.91	214.49	267.46	263.38	329.59	231.69	251.24
Thailand (42)	39.00	–58.3	35.65	29.65	36.50	51.75	–45.7	5.67	40.85	37.50	30.59	38.15	53.94	146.69	39.00	146.02
United Kingdom (213)	307.66	8.7	281.25	233.93	287.93	281.25	14.6	3.54	308.13	282.87	230.77	287.77	282.87	325.28	244.64	245.26
USA (636)	366.27	21.4	334.83	278.50	342.79	366.27	21.4	1.69	367.61	337.47	275.33	343.32	367.61	399.67	264.75	268.11
Americas (819)	334.49	21.1	305.77	254.33	313.04	281.77	21.2	1.68	336.06	308.50	251.69	313.85	283.08	356.35	242.47	245.46
Europe (713)	265.25	10.7	242.48	201.68	248.24	253.16	23.8	2.52	267.23	245.32	200.14	249.57	255.11	284.44	212.81	215.24
Nordic (150)	407.43	12.3	372.46	309.80	381.32	414.34	29.9	1.79	413.14	379.27	309.42	385.84	418.64	437.88	310.57	314.87
Pacific Basin (881)	137.61	–7.4	125.80	104.63	128.79	105.53	–3.7	1.38	141.22	129.64	105.77	131.89	107.03	162.15	127.18	158.76
Euro-Pacific (1594)	190.88	2.3	174.50	145.14	178.65	160.98	10.8	2.04	193.82	177.93	145.16	181.01	162.67	209.12	173.55	182.16
North America (762)	356.69	20.9	326.07	271.22	333.83	358.06	20.9	1.69	358.03	328.68	268.15	334.37	357.38	379.38	258.56	261.75
Europe Ex. UK (500)	236.79	11.9	216.46	180.05	221.61	231.82	29.3	1.92	239.38	219.75	179.28	223.56	233.87	256.73	181.01	184.16
Pacific Ex. Japan (396)	267.65	–15.1	244.68	203.51	250.50	245.15	–8.9	3.12	277.70	254.93	207.98	259.35	254.11	320.66	267.65	287.15
World Ex. US (1821)	194.95	3.3	178.21	148.23	182.45	167.70	11.2	2.02	197.97	181.74	148.27	184.89	169.54	212.89	176.94	183.62
World Ex. UK (2244)	244.24	11.7	223.28	185.71	228.59	219.06	15.9	1.67	246.86	226.62	184.89	230.55	220.73	262.69	204.12	206.38
World Ex. Japan (1972)	314.27	14.8	287.29	238.96	294.13	307.78	19.6	2.04	316.61	290.65	237.13	295.69	310.07	334.83	242.70	245.03
The World Index (2457)	249.68	11.4	228.25	189.85	233.69	224.79	15.8	1.86	252.12	231.45	188.83	235.48	226.47	267.21	207.64	209.73

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 184.07 (Pound Sterling) and 148.94 (Local). Indonesia and Philippines June 28 1996 = 214.14 (US $ Index), 204.33 (Pound Sterling) and 184.40 (Local).
CONSTITUENT CHANGES DURING THE WEEK ENDING 29/8/97: Name change: Citizens Utilities Class B to Citizens Utilities (USA); Deletion: Citizens Utilities Cl A. With effect 1/9/97: Deletion: Amplats (S Africa); Name change: Rustenburg Plat. to Anglo Am. Platinum (S Africa). With effect 2/9/97: Deletion: Tandem Computers (USA).

MARKETS: This Week

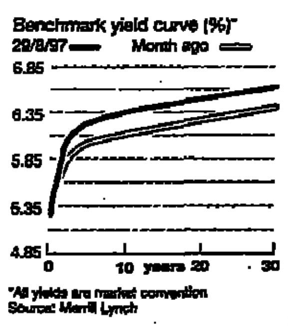
NEW YORK By Richard Tomkins

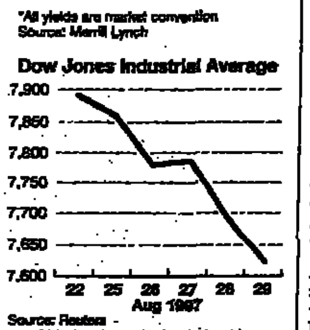
Investors and traders in the US will be relaxing today with the stock and bond markets closed for Labor Day. They probably feel they have earned it after the volatility of recent trading. But their respite will be brief: several important statistics are due in the remaining four days of the week, each of which will be closely examined for clues as to the economic outlook.

The most influential figures are likely to be those for August employment, due on Friday. According to the consensus forecast of analysts surveyed by Standard & Poor's MMI research service, the increase in non-farm payrolls will be just 80,000 – far less than the previous month's 316,000. But the latest figure excludes the 185,000 workers at United Parcel Service who struck last month. Throw them back in, and the figure becomes 265,000 – well above the average of 239,000 for the second quarter.

The UPS strike is also likely to affect the National Association of Purchasing Management's August report, due tomorrow. Salomon Brothers thinks longer delivery times caused by the strike, together with projected pick-ups in factory hiring and output, probably pushed the NAPM index up from 58.6 per cent the previous month to 60 per cent, the highest reading since December 1987 – though MMI's consensus forecast is a more conservative 58.0 per cent.

Other figures include domestic motor vehicle sales for August, due tomorrow, with MMI's consensus forecast predicting a fall from 7.1m in July to 7m; and Thursday's factory orders for July, expected to show a decline of 0.2 per cent.





LONDON By Philip Coggan

Traders should start to struggle back from their summer holidays this week, and they will face a stock market which is well off its best levels of the summer.

The FTSE 100 briefly slipped below the 4,800 mark on Friday and the heady days when it broke through 5,000 are already fading in the memory.

A lot of the pressure has been coming from overseas markets and there will be a brief respite today from Wall Street, which is closed for Labor Day, but the UK market is fast resembling the boy who "stood on the burning deck, whence all but he had fled".

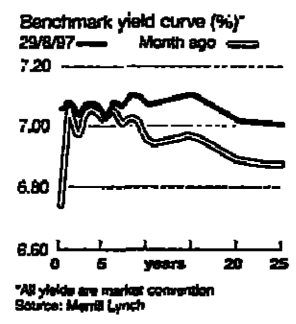
Asian markets took a pounding towards the end of last week and European markets have also been weak; the DAX index in Frankfurt is more than 10 per cent off its peak.

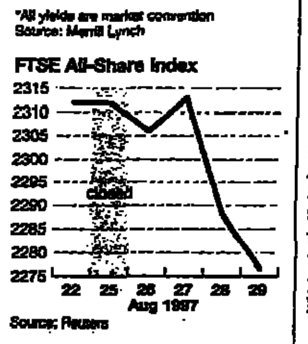
However, attention will return to Wall Street on Friday with the publication of the non-farm payrolls. A strong figure will revive US interest rate fears.

On the domestic front, today will see the publication of the purchasing managers' index, consumer credit and narrow money supply data, which will provide further evidence as to whether windfall building society gains are being spent in the high street.

After a late August pause, the results season should start to pick up speed again, with figures from Burmah Castrol, Hammerson, Schroders and George Wimpey no doubt attracting attention.

The profits figures of financial companies have been much stronger than those of manufacturers, but most of the big industrial groups are due to report in September.





FRANKFURT By Andrew Fisher

German shares caught the full blast of the chill winds blowing through financial markets last week, with the DAX index ending just below the 4,000 mark. With interest rate uncertainty and anxiety about Wall Street's further direction, equities are likely to continue their timid performance this week.

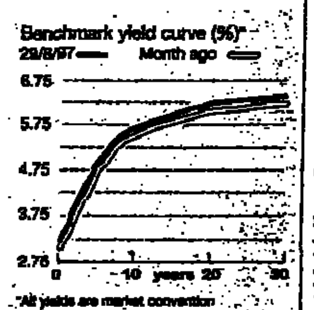
Susanne Schneemayer of Hypo-Research said the market should find a support zone at between 3,800 and 3,850 points. She thought a DAX level of 4,000 was justified by 1998 profit forecasts, with a "crash scenario" – in which the market fell back to valuations based on this year's earnings estimates – highly unlikely.

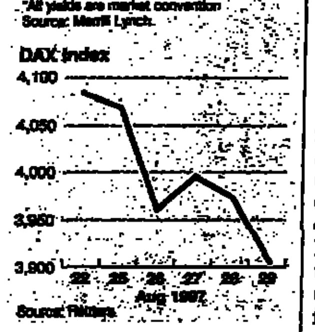
The dollar was providing no new impulses for the market, she added, but at DM1.75 it should not impair the overall profit outlook. Hypo-Research expects the exchange rate to move between DM1.78 and DM1.86 in the next few weeks.

The state of the dollar is being watched closely by the Bundesbank for its potential inflationary impact. However, in spite of some hawkish noises from within the Bundesbank council, an imminent move to let interest rates edge up does not seem on the cards.

Hans Tietmeyer, president of the German central bank, admitted last week it was concerned about inflation but said this should not be dramatised.

It remains an open question as to when the Bundesbank will switch to a variable, or part-variable, securities repurchase (repo) tender so that the present 3 per cent rate can increase gradually. But the decision seems unlikely to come tomorrow – and maybe not until October.





TOKYO By Gwen Robinson

The recent pattern of a declining stock market, surging bonds and strengthening dollar against the yen was reinforced at the end of last week by the dollar's rise above Y120.

The Tokyo stock market slid 1.2 per cent and the yield on the benchmark Japanese government 10-year bond hit a new low.

Analysts said that turmoil in regional markets was beginning to affect Tokyo.

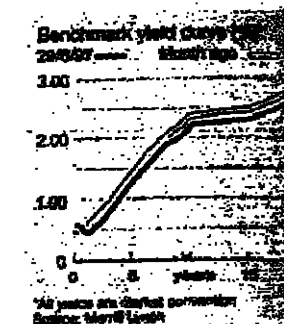
This is a new element in the performance of the stock market, which had been affected mainly by domestic developments, including corporate failures, and weak economic data, as well as the New York market. But signs that Asian markets may continue their slide may force economists to revise their views on Japan.

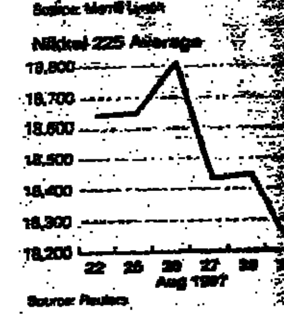
Japanese government bonds, meanwhile, have been on a bull run for nearly three months and the benchmark 10-year JGB yield fell to 1.985 per cent on Friday.

Regional factors are also an element, said William Campbell, senior fixed-income analyst at J.P. Morgan Securities in Tokyo. "Asian turmoil doesn't bode well for Japan's large manufacturers, as this region absorbs roughly 40 per cent of exports," he said.

If turbulence continues in regional markets, the negative implication for Japanese exports and Japanese banks, which are highly exposed to regional economies such as Thailand's, could further affect domestic bond and stock markets, he added.

The continuing weakness of the domestic economy, meanwhile, has reassured the bond market that the central bank will hold interest rates to their current historic low.





COMMODITIES By Gary Mead

Uranium hopes short-lived

Will uranium prices ever re-emerge from the doldrums? This question will inevitably provide the backdrop for this week's annual symposium of the Uranium Institute in London.

This time last year, hopes were that uranium's price might be climbing again; after all, in the course of a year it had doubled to about $15.50 a pound, though that was still far short of its 1978 peak, when it reached in excess of $43 a pound. In 1995 there was an increase (of 8 per cent) in production for the first time in nine years, to 34,000 tonnes.

But those hopes proved short-lived. Today the price has again slumped, to about $10–$11 a pound.

"There are some signs that things may have finally bottomed out," says Steve Kidd, senior research officer with the Uranium Institute. The Institute does not make price forecasts, but it is likely, says Mr Kidd, that a supply/demand equilibrium may have been achieved.

Price is not a vital issue for power utilities; it accounts for a mere 2 per cent of their total costs. But continuity of supply is crucial, and further price erosions could impact on that. "Consumption is running at a more or less constant 60,000 tonnes a year. Last year's price spike means that some mines have increased production; this year supplies will be about 36,000 tonnes. In the west, inventories are currently about 150,000 tonnes and they will never be allowed to drop below 90,000 tonnes, or 18 months of consumption, for security reasons," says Mr Kidd.

The big unknown is Russia, where the level of inventories is a state secret. Estimates a few years ago were that Russia's stockpile was as high as 200,000 tonnes, but some specialists believe they could have fallen to 50,000 tonnes, with some of that being of unusable quality. Given that nuclear power is growing at a mere 1 per cent a year, the strongest impetus for another price spike may lie within Russia's secret stockpiles.

OTHER MARKETS Compiled by Greta Steyn

PARIS

The threat of higher interest rates in Germany coupled with Wall Street's vulnerability left Paris wanting last week and contributed to a decline from its end-July peak of about 10 per cent.

The sagging dollar also hurt sentiment in a thin market. Conditions in the US and Germany will, as usual, give direction to the market this week, but domestic factors will play a bigger role as the interim results season starts. Earnings reports are due from oil companies, food groups, retailers and small insurers.

UAF reports tomorrow, followed by Casino and Total on Wednesday. Carrefour and Elf report on Thursday.

UBS expects the retailers to have benefited from legislation barring them from selling consumer products at a loss, while the oil companies are expected to show impressive increases in first-half profitability.

Forecasts of Carrefour's first-half net profits on ordinary operations range from FFr1.39bn to FFr1.54bn ($230m-$255m), up from FFr1.21bn last year.

AMSTERDAM

The market is paying little attention to domestic factors, such as last week's robust GDP growth number and a raft of good earnings reports.

Instead, Amsterdam is worried about the outlook for interest rates in Germany and the US, and should this week start gearing up for the Bundesbank Council meeting on September 8.

But the main focus is likely to be on the US economic figures due for release this week, which include August's NAPM index and employment numbers.

Amsterdam is also preoccupied with the dollar, with signs of weakness in the US currency casting a pall over the market.

Ahold's second-quarter results and Nutreco's first-half earnings are due this week. For Ahold, UBS is forecasting a 64 per cent rise in net profit on sales up 45 per cent as a result of the Stop & Shop acquisition.

MILAN

A volatile few days are in prospect ahead of Friday's announcement of changes in the make-up of the blue chip MIB-30 index, which comprises the top 30 companies on the exchange, measured by market capitalisation and trading volume.

The amended list, which takes effect on September 22, will reflect changes in constituents' market capitalisation.

Stocks in the MIB-30 are used by derivatives traders for arbitrage purposes, in addition to being acquired by fund managers who use the index as a benchmark.

The speculation last week was that Olivetti, the information technology group, Compart, the financial holding company, and Sirti, which lays telecommunications cables, could all soon be leaving the basket.

HONG KONG

Further volatility is on the cards this week with no signs appearing at the end of last week that the rout of the Asian markets was about to end.

Hong Kong shares felt the force of the storm on Thursday, when the market fell 4.2 per cent, and again on Friday, when prices dropped by another 5 per cent, even though the Hong Kong dollar's link to the US currency appeared to be under no serious threat.

In late European trading on Friday, the Hang Seng London Reference index was down a further 1.9 per cent, leaving the index below the important 14,000 point level.

Nonetheless, while the consensus was that it had been a skittish and depressing week, many analysts continued to believe that the losses represented a short-term setback rather than the start of a longer lasting bear phase.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
ING (N'lands)	Furman Selz (US)	Banking	$600m	Strategic buy
CGE (France)	Leigh Interests (UK)	Waste disposal	$187m	Recommended bid
UBS (Switz)	SMH (Germany)	Banking	$161m	Lloyds sells out
Autoliv (Sweden)	Marling Industries (UK)	Car parts	$50m	Agreed offer
Hagemeyer (N'lands)	Unit of ABB (Switz/Sweden)	Wholesaling	n/a	Estimated total...
Hagemeyer (N'lands)	Tech Pacific (Australia)	Distribution	n/a	...package $643m
SE-Banken (Sweden)	Ane Gyllenberg (Finland)	Financial services	n/a	Another Nordic buy
Fresenius (Germany)	Units of Caremark (US)	Healthcare	n/a	Intensifies growth
Tibbett & Britten (UK)	Neptune Freight (Ireland)	Logistics	n/a	Buying partner
Bunge y Born (Argentine)	Ceval Alimentos (Brazil)	Food	n/a	Process begun

CURRENCIES By Simon Kuper

Testing time for the yen as summer ends

One of the great questions could be answered in the next few days: is Tokyo trying to keep the dollar below Y120 to the yen?

All summer traders have believed it was. The dollar shied back each time it approached Y120, as the market feared a barrage of intervention from Tokyo. But late on Friday, in thin trade, the dollar climbed and held above Y120.

Philippa Malmgren, currency strategist at Bankers Trust in London, says she understands from Japanese government officials that they would not mind the dollar at such heights.

She warns, however, that any comment from almost anyone in Washington or Tokyo next week would prompt jittery traders to sell dollars. But she expects setbacks to be brief.

Tomorrow, a strong US National Association of Purchasing Management index for August would help the dollar. Non-farm payrolls figures for August, out on Friday, will be closely studied but may prove too distorted by the UPS to mean much.

Alan Greenspan, chairman of the Federal Reserve, speaks at Stanford University on Friday.

The dollar's fate depends partly on events in south-east Asia. The region's stock markets and currencies suffered heavily last week. That may have helped weaken the yen as a large share of Japan exports go to the area. If the Asian turmoil continues, the dollar's chances of staying above Y120 should grow.

Whatever happens, it should be a lively week. After the US Labor Day holiday, trading desks should be fully staffed again. The thin liquidity of August exaggerated currency moves and dissuaded traders from taking medium-term positions. It also meant market moves led exchange rate shifts.

Tomorrow, the market will want to see if the Bundesbank moves from a fixed to a variable rate repo tender. That would probably push German interest rates up and boost the D-Mark.

ATHENS STOCK EXCHANGE August 25th - August 29th 1997 GREECE

				GDP (USD bn) 97e	115.42
ASE INDEX	1517.62	P/E (after tax) 97e/98e	14.4/17.4	Per Capita Income (USD)	11,098
%Chg (31/12/96)	62.58	EPS GROWTH (%) 97e	22.3	Inflation Rate (% Y.O.Y, July '97)	5.40
Yearly High	1755.66	P/E 97e / EPS GROWTH (%) 97e	0.65	August 12 M T-Bill rate (%)	9.50
Yearly Low	932.38	P/CE 97e/98e	11.3/13.7	1-Month Athibor (%)	11.29
WEEKLY VOL (USD m)	232.88	P/BV 97e/98e	3.2/3.6	GRD/US$ (August 29, 1997)	282.83
%Chg (Prev. Wk)	46.10	Div. Yield (%) 97e/98e	4.1/3.3	A.S.E. Market Capitalisation - 29/8/97 (USD bn)	34.68
1 Y Wk Avg Vol. (USD m) 299.10				IPOs & Rights Issues (in USD m) Jan 1 '97-Aug 29 '97	1,391.59

CONTRACTS & TENDERS

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, August 29, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7703.55	4750.00	2638.60	3948.79
Albania	(Lek)	255.028	157.250	87.3514	130.726
Algeria	(Dinar)	95.9882	59.1850	32.8769	49.2019
Andorra	(French Fr)	9.8371	6.0655	3.3694	5.0424
	(Sp Peseta)	246.582	152.030	84.4541	126.388
Angola	(Readj Kwanza)	417010.1	257128.0	142833.0	213756.8
Antigua	(E Carib $)	4.3789	2.7000	1.4998	2.2446
Argentina	(Peso)	1.6215	0.9998	0.5554	0.8312
Armenia	(Dram)	815.1950	502.650	279.219	417.865
Aruba	(Florin)	2.9030	1.7900	0.9943	1.4881
Australia	(Aus $)	2.2082	1.3616	0.7564	1.1319
Austria	(Schilling)	20.5457	12.6685	7.0374	10.5316
Azerbaijan	(Manat)	6408.11o	3950.00	2194.20	3283.73
Azores	(Port Escudo)	296.335	182.720	101.503	151.900
Bahamas	(Bahama $)	1.6218	1	0.5555	0.8313
Bahrain	(Dinar)	0.6114	0.3770	0.2094	0.3134
Balearic Is	(Sp Peseta)	246.582	152.030	84.4541	126.388
Bangladesh	(Taka)	72.2513	44.5500	24.7479	37.0355
Barbados	(Barb $)	3.2619	2.0113	1.1173	1.6721
Belarus	(Rouble)	70283.8o	43336.9	24073.4	36027.0
Belgium	(Belg Fr)	60.2661	37.1600	20.6427	30.8920
Belize	(B $)	3.2436	2.0000	1.1110	1.6627
Benin	(CFA Fr)	983.710	606.550	336.944	504.240
Bermuda	(Bermudian $)	1.6218	1	0.5555	0.8313
Bhutan	(Ngultrum)	58.9200	36.3300	20.1817	30.2020
Bolivia	(Boliviano)	8.5488	5.2700	2.9275	4.3811
Botswana	(Pula)	5.9977	3.6969	2.0538	3.0733
Brazil	(Real)	1.7710	1.0920	0.6066	0.9078
Brunei	(Brunei $)	2.4530	1.5125	0.8402	1.2574
Bulgaria	(Lev)	2903.83	1790.50	994.612	1488.49
Burkina Faso	(CFA Fr)	983.710	606.550	336.944	504.240
Burma	(Kyat)	10.3287	6.3674	3.5371	5.2934
Burundi	(Burundi Fr)	568.400	350.475	194.687	291.358
Cambodia	(Riel)	4865.40	3000.00	1666.48	2493.97
Cameroon	(CFA Fr)	983.710	606.550	336.944	504.240
Canada	(Canadian $)	2.2518	1.3885	0.7713	1.1543
Canary Is	(Sp Peseta)	246.582	152.030	84.4541	126.388
Cp. Verde	(CV Escudo)	159.457	98.4710	53.5891	80.1967
Cayman Is	(CI $)	1.3432	0.8282	0.4601	0.6885
Cent. Afr. Rep	(CFA Fr)	983.710	606.550	336.944	504.240
Chad	(CFA Fr)	983.710	606.550	336.944	504.240
Chile	(Chilean Peso)	673.290	415.150	230.620	345.124
China	(Yuan)	13.4421	8.2884	4.6043	6.8903
Colombia	(Col Peso)	1904.28	1174.18	652.285	976.120
Comoros	(Fr)	734.043	452.610	251.422	376.266
Congo	(CFA Fr)	983.710	606.550	336.944	504.240
Congo (DemRep)	(Zaire)(2)	222997.4	137500.0	76380.4	114307.1
Costa Rica	(Colon)	382.875	236.080	131.141	196.259
Côte d'Ivoire	(CFA Fr)	983.710	606.550	336.944	504.240
Croatia	(Kuna)	10.3012	6.3517	3.5284	5.2803
Cuba	(Cuban Peso)(1)	34.0579	21.0000	11.6654	17.4578
Cyprus	(Cyprus £)	0.8606	0.5306	0.2948	0.4412
Czech Rep.	(Koruna)	54.4456	33.5710	18.6490	27.9084
Denmark	(Danish Krone)	11.1168	6.8546	3.8078	5.6984
Djibouti Rep	(Djib Fr)	288.226	177.720	98.7224	147.743
Dominica	(E Carib $)	4.3789	2.7000	1.4998	2.2446
Dominican Rep	(D Peso)	22.8593	14.0950	7.8297	11.7175
Ecuador	(Sucre)	6683.97o	4109.00	2282.52	3415.81
	(Sucre)	6663.97a	4109.00	2282.52	3415.91
Egypt	(Egyptian £)	5.5109	3.3980	1.8876	2.8248
El Salvador	(Colon)	14.1969	8.7550	4.8634	7.2783
Equat'l Guinea	(CFA Fr)	983.710	606.550	336.944	504.240
Estonia	(Kroon)	23.3483	14.3965	7.9874	11.9682
Ethiopia	(Ethiopian Birr)	10.8377	6.6825	3.7121	5.5553
Falkland Is	(Falk £)	1	0.6166	0.3425	0.5126
Faroe Is	(Danish Krone)	11.1168	6.8546	3.8078	5.6984
Fiji Is	(Fiji $)	2.3403	1.4430	0.8016	1.1996
Finland	(Markka)	8.7900	5.4199	3.0108	4.5057
France	(Fr)	9.8371	6.0655	3.3694	5.0424
Fr. Cty/Africa	(CFA Fr)	983.710	606.550	336.944	504.240
Fr. Guiana	(Local Fr)	9.8371	6.0655	3.3694	5.0424
Fr. Pacific Is	(CFP Fr)	177.950	109.724	60.9509	91.2150
Gabon	(CFA Fr)	983.710	606.550	336.944	504.240
Gambia	(Dalasi)	16.2586	10.0250	5.5688	8.3340
Germany	(D-Mark)	2.9195	1.8002	1	1.4965
Ghana	(Cedi)	3543.64	2185.00	1213.79	1816.44
Gibraltar	(Gib £)	1	0.6166	0.3425	0.5126
Greece	(Drachma)	459.145	283.110	157.270	235.356
Greenland	(Danish Krone)	11.1168	6.8546	3.8078	5.6984
Grenada	(E Carib $)	4.3789	2.7000	1.4998	2.2446
Guadeloupe	(French Fr)	9.8371	6.0655	3.3694	5.0424
Guam	(US $)	1.6218	1	0.5555	0.8313
Guatemala	(Quetzal)	9.8635	6.0818	3.3784	5.0560
Guinea	(Fr)	1800.20	1110.00	616.598	922.770
Guinea-Bissau	(CFA Fr)(3)	983.710	606.550	336.944	504.240
Guyana	(Guyanese $)	231.107	142.500	79.1579	118.464
Haiti	(Gourde)	26.7759	16.5100	[illegible]	[illegible]
Honduras	(Lempira)	21.3753	13.1800	[illegible]	[illegible]
Hong Kong	(HK $)	12.5674	7.7490	[illegible]	[illegible]
Hungary	(Forint)	317.427	195.725	[illegible]	[illegible]
Iceland	(Icelandic Krona)	116.332	71.7300	[illegible]	[illegible]
India	(Indian Rupee)	58.9200	36.3300	[illegible]	[illegible]
Indonesia	(Rupiah)	4784.31	2950.00	[illegible]	[illegible]
Iran	(Rial)	4865.40u	3000.00	[illegible]	[illegible]
Iraq	(Iraqi Dinar)	0.5042o	0.3109	[illegible]	[illegible]
Iraq	(Iraqi Dinar)	1946.16m	1200.00	[illegible]	[illegible]
Irish Rep	(Punt)	1.0906	0.6724	[illegible]	[illegible]
Israel	(Shekel)	5.7071	3.5190	[illegible]	[illegible]
Italy	(Lira)	2855.51	1760.71	[illegible]	[illegible]
Jamaica	(Jamaican $)	55.8710	34.4500	[illegible]	[illegible]
Japan	(Yen)	195.088	120.290	[illegible]	[illegible]
Jordan	(Jordanian Dinar)	1.1507	0.7095	[illegible]	[illegible]
Kazakhstan	(Tenge)	123.014	75.8500	[illegible]	[illegible]
Kenya	(Kenya Shilling)	106.228	65.5000	[illegible]	[illegible]
Kiribati	(Australian $)	2.2082	1.3616	[illegible]	[illegible]
Korea North	(Won)	3.5680	2.2000	[illegible]	[illegible]
Korea South	(Won)	1463.88	902.500	[illegible]	[illegible]
Kuwait	(Kuwaiti Dinar)	0.4937	0.3044	[illegible]	[illegible]
Laos	(New Kip)	1558.55	961.000	[illegible]	[illegible]
Latvia	(Lats)	0.9446	0.5825	[illegible]	[illegible]
Lebanon	(Lebanese £)	2495.14	1538.50	[illegible]	[illegible]
Lesotho	(Maluti)	7.6087	4.6915	[illegible]	[illegible]
Liberia	(Liberian $)	1.6218	1	[illegible]	[illegible]
Libya	(Libyan Dinar)	0.6220	0.3835	[illegible]	[illegible]
Liechtenstein	(Swiss Fr)	2.4068	1.4841	[illegible]	[illegible]
Lithuania	(Litas)	6.4886	4.0009	[illegible]	[illegible]
Luxembourg	(Lux Fr)	60.2661	37.1600	[illegible]	[illegible]
Macao	(Pataca)	12.9723	7.9987	[illegible]	[illegible]
Macedonia	(Denar)	90.7259	55.9414	[illegible]	[illegible]
Madagascar	(MG Fr)	8027.91	4950.00	[illegible]	[illegible]
Madeira	(Port Escudo)	296.335	182.720	[illegible]	[illegible]
Malawi	(Kwacha)	28.3706	17.4933	[illegible]	[illegible]
Malaysia	(Ringgit)	4.7284	2.9155	[illegible]	[illegible]
Maldive Is	(Rufiya)	19.0886	11.7700	[illegible]	[illegible]
Mali Rep	(CFA Fr)	983.710	606.550	[illegible]	[illegible]
Malta	(Maltese Lira)	0.6405	0.3950	[illegible]	[illegible]
Martinique	(Local Fr)	9.8371	6.0655	[illegible]	[illegible]
Mauritania	(Ouguiya)	251.055	154.800	[illegible]	[illegible]
Mauritius	(Maur Rupee)	35.4202	21.8400	[illegible]	[illegible]
Mexico	(Mexican Peso)	12.6160	7.7790	[illegible]	[illegible]
Moldova	(Leu)	7.3954	4.5600	[illegible]	[illegible]
Monaco	(French Fr)	9.8371	6.0655	[illegible]	[illegible]
Mongolia	(Tugrik)	1272.72	784.760	[illegible]	[illegible]
Montserrat	(E Carib $)	4.3789	2.7000	[illegible]	[illegible]
Morocco	(Dirham)	15.8586	9.7790	[illegible]	[illegible]
Mozambique	(Metical)	18456.1	11380.0	[illegible]	[illegible]
Namibia	(S A Rand)	7.6087	4.6915	[illegible]	[illegible]
Nauru Is	(Australian $)	2.2082	1.3616	[illegible]	[illegible]
Nepal	(Nepalese Rupee)	92.3615	56.9500	[illegible]	[illegible]
Netherlands	(Guilder)	3.2865	2.0265	[illegible]	[illegible]
N'nd Antilles	(A/Guilder)	2.9030	1.7900	[illegible]	[illegible]
New Zealand	(NZ $)	2.5371	1.5643	[illegible]	[illegible]
Nicaragua	(Gold Cordoba)	15.5630	9.5961	[illegible]	[illegible]
Niger Rep	(CFA Fr)	983.710	606.550	[illegible]	[illegible]
Nigeria	(Naira)	35.4947o	21.8860	[illegible]	[illegible]
	(Naira)	132.988m	82.0000	[illegible]	[illegible]
Norway	(Nor. Krone)	12.0884	7.4537	[illegible]	[illegible]
Oman	(Rial Omani)	0.6244	0.3850	[illegible]	[illegible]
Pakistan	(Pak. Rupee)	65.6497	42.4795	[illegible]	[illegible]
Panama	(Balboa)	1.6218	1	0.5555	0.8313
Papua New Guinea	(Kina)	[illegible]	[illegible]	[illegible]	[illegible]
Paraguay	(Guarani)	3519.31	2170.00	[illegible]	[illegible]
Peru	(New Sol)	4.3019	[illegible]	[illegible]	[illegible]
Philippines	(Peso)	49.3028	[illegible]	[illegible]	[illegible]
Pitcairn Is	(£ Sterling)	1	[illegible]	[illegible]	[illegible]
	(NZ $)	2.5371	[illegible]	[illegible]	[illegible]
Poland	(Zloty)	5.6354	[illegible]	[illegible]	[illegible]
Portugal	(Escudo)	296.335	[illegible]	[illegible]	[illegible]

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate [illegible] scheduled to change to Congolese Francs (3) Guinea-Bissau adopted the CFA Franc to replace the Peso on 1/5/97: FT enquiries to Business Research [illegible] & Bank of America, Economics Department, London Trading Centre. [illegible]
To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls are charged at 50p per minute at all times.
Friday, August 29, 1997

MARKETS: This Week

INTERNATIONAL BONDS By Edward Luce and Samer Iskandar

JGBs enter uncharted territory

Japanese government bonds are entering uncharted territory. With yields on Japanese long-term government issues falling to an all-time low of 1.985 per cent last Friday, economists are wondering whether they will ever bottom out.

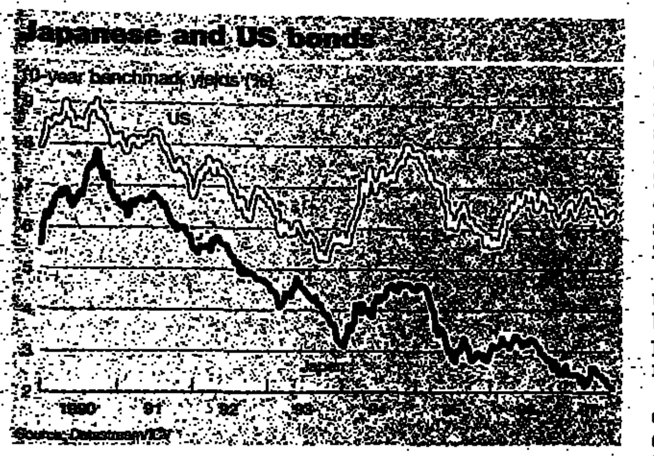
The last time government bond yields anywhere in the world touched such lows was in wartime UK in the 1940s.

Although the yield on the Japanese No 182 benchmark bond, which matures in September 2005, recovered slightly to end the week at just above 2 per cent, many were predicting it would resume its plunge when the market opened today.

"We think the yield on the long bond will fall to 1.5 per cent before the end of the year," said Graham Turner, an economist at Tokai Bank. "It could possibly even drop to as low as 1 per cent early next year if there have been no signs of economic recovery by then."

Mr Turner has plenty of evidence to support this bearish – or bullish, from the point of view of bondholders – scenario.

Japanese and US bonds



Data released last Friday showed Japanese housing starts in August falling by 27.8 per cent from the previous year. This constituted the sharpest drop since the oil crisis hit Japan in the early 1970s.

Meanwhile, July industrial production data, although less dramatic, showed scant signs of economic recovery. With second-quarter growth figures expected to show gross domestic product dropping by 1.6 per cent from the first quarter, growth in Japan will likely be flat in the first half.

Economists at Nomura expect economic growth in Japan to be further hit by the recent slowdown in most of Asia – the largest destination for Japanese exports.

A fall of 10 per cent in Japan's exports to Asia would shave roughly 0.8 percentage points off Japan's GDP growth, according to some estimates. Add in the very poor performance of Japanese equities recently and the loss of domestic investor confidence in the stock market in general and the chances of the long bond yield falling to 1 per cent start to look disturbingly plausible.

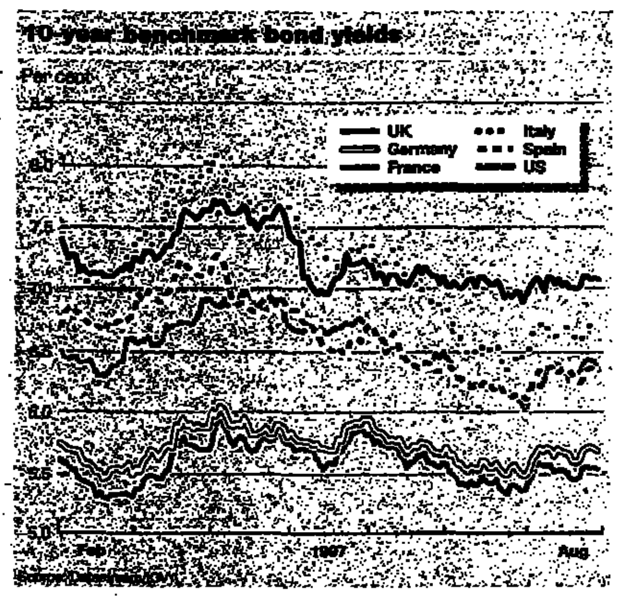
"Unless there is some unexpected piece of good news soon we are going to start talking about a depression in Japan," Mr Turner said.

Others, however, such as Nigel Richardson, head of bond research at Yamaichi in London, are more sanguine about the economy's outlook. Mr Richardson argues that all the risks for investors in Japanese bonds are "on the downside".

"Any piece of good news – even an upbeat Tankan business confidence survey [in the last week of September] – would push bond prices down," he said. "We very much doubt whether this rally can go much further."

Whether the rally is checked or not, few economists predict a slowing in the recent flood of Japanese funds to overseas bond and equity markets.

10-year benchmark bond yields



INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.10[1]	6.25	7.00[2]
Overnight	n/a	n/a	3.00	3.13	6.88	n/a
Three month	5.22	0.55	3.25	3.32	6.76	7.12
One year	5.57	0.45	3.56	3.49	6.50	7.09
Five year	6.22	1.29	4.90	4.77	6.25	7.03
Ten year	6.39	2.23	5.69	5.61	6.69	7.07

(1) France intervention rate (2) UK base rate. Source: Reuters.

At $59bn in the second quarter, net purchases of overseas securities by Japanese investors have reached record levels in nominal terms. The prospect of a relaxation of limits on how much Japanese pension funds can invest abroad is likely to compound this trend, regardless of what happens to Japan's domestic yield curve, according to analysts.

"The market is increasingly driven by domestic investors," said Kirit Shah, chief market strategist at Sanwa International. "There is very little incentive for anyone else to invest in a market that yields less than 2 per cent and where the currency looks like it could suffer a new phase of weakness."

Mr Shah also believes there is scope for further bond market gains, but the prospects for a prolonged rally are limited.

"This is a rally by default," he said. "Until the equity market stabilises, there is no alternative to bonds."

Mr Shah believes yields could fall further if the 2 per cent psychological barrier is breached decisively.

"Investors would then start focusing on the 1.75 per cent level," he said. "But there should be some profit taking before we reach these levels. The next few weeks could be very volatile."

In addition to external factors, such as the currency crises in neighbouring countries, analysts point to Japan's consumption tax, which was more than doubled from 2 per cent to 5 per cent in April.

Mr Shah said the weakness of recent economic data contradicted earlier indications that the new tax would be absorbed easily. "The latest data were very sluggish," he said. "This shows that the impact of the consumption tax had been underestimated."

Others, however, believe the distortions caused by the tax change have already worked their way through the economic system. "It would be wrong to exaggerate its effects on the economy," said Mr Richardson. "Most of its impact has already been absorbed."

More crucial to the fate of Japan's securities markets is the fluctuation of the yen against other key currencies. Mr Shah believes the bond rally was fuelled by what he described as Japan's "vicious cycle". As the Nikkei index falls, banks' financial strength weakens, as does their appetite for equities. This weakness in turn hurts market sentiment and raises concern over the currency.

Signs of a strengthening yen could be doubly desirable. First, a stronger yen would revive confidence among foreign investors. Second, it would deter Japanese investors from investing overseas, because of the risk that profits might be eroded by the time the funds were repatriated.

EMERGING MARKETS By John Ridding

Hong Kong rides the storm

Like the typhoons that build above the South China sea before heading north to wreak destruction, the financial crisis in south-east Asia has swept into Hong Kong. The Hang Seng Index fell 9 per cent to 14,135 last Thursday and Friday, 16 per cent below its August peak. Unlike the south-east Asian markets, Hong Kong remains ahead for the year, and is supported by strong fundamentals.

"Hong Kong remains one of the most attractive markets in Asia," says Patrick Wong of Jardine Fleming Unit Trusts. But that is scant consolation amid the regional misery that has shaken Hong Kong's safe haven status.

Many in Hong Kong predict a rebound, but probably after further falls. "We are sticking to our year-end target of 18,000," says Andrew Houston at Jardine Fleming. "Once the dust settles there is considerable upside, but we are in for a tense ride," adds a trader.

The immediate threat is pressure on fund managers seeking to cover losses elsewhere in the region or simply turning their backs on Asia. "Hong Kong is the only market where there is the liquidity and performance to get out of positions and raise cash," said a trader.

That performance has made Hong Kong vulnerable. Even in early June, with the market at 14,400, Merrill Lynch argued that a correction was badly needed and that the index was driven by an unsustainable surge in a few blue chips.

"Hong Kong was overweight in a lot of portfolios and has been looking pretty frothy," adds a fund manager. "Many of the issues were looking exposed."

The big question is whether Hong Kong's economy, as well as its markets, is exposed to the currency weakness and raised interest rates that have spread from Thailand to Malaysia and Indonesia. "Investors wonder if Hong Kong and the dollar will go the way of its neighbours," says Deutsche Morgan Grenfell's Chi Lo.

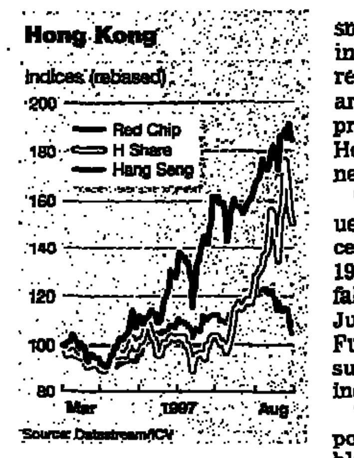
Most believe the risks are limited. "It is hard to make the case for Hong Kong as the next domino to fall," says John Mulcahy of W.I Carr. Its sound economy, with forecast GDP growth of 5.5 per cent this year and its budget and current account surpluses, contrast starkly with the debt-driven growth of its neighbours.

The health of Hong Kong's corporate sector was underlined last week when Mr Li Ka-shing's Cheung Kong, and Citic Pacific, the China-backed conglomerate, reported strong increases in first-half profits.

On the currency front, speculative attacks have been repelled by the Hong Kong Monetary Authority. The peg to the US dollar, a robust variant of the currency board system, is backed by US$200bn of foreign exchange reserves held by Hong Kong and China.

The danger is that higher interest rates and currency speculation will undermine the market. Hong Kong Association of Banks voted against a deposit rate increase, and the big institutions said they would keep lending rates unchanged, but pressures are building.

Hong Kong



"With the rise in the inter-bank market, it is becoming difficult for banks to resist," says one executive. Repatriation of US dollar funds would also increase pressure on the currency.

Banking and property shares have already fallen from favour. HSBC fell 5 per cent on Friday, and Cheung Kong 6 per cent. The two sectors could lead the Hang Seng lower still according to analysts. "It is likely the index will overshoot downwards," says Pauline Gately, regional strategist at BZW.

The Hang Seng Index, however, is only part of the story – and an increasingly small part at that. Trading is increasingly dominated by red chips, the Hong Kong arms of mainland enterprises, and H-shares, the Hong Kong listings of Chinese state companies.

The 33 Hang Seng constituents accounted for 60 per cent of market turnover in 1996 but their share had fallen below 30 per cent by July and the Securities & Futures Commission has suggested a review of the index composition.

While the SFC has been pondering the index, and blue-chips have plunged, H-shares and red chips have soared. H-shares have climbed by almost 50 per cent since June, partly on hopes that China will move to restructure state-owned enterprises.

So far, China-backed shares have proved resilient. "There is still support from the retail investor," says a US investment banker. "But this is a very speculative sector, and we can expect high volatility." On that point, China-backed shares and the Hang Seng Index will be united. For while typhoons pass quickly, the turbulence in the market is unlikely to blow over soon.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	29/8/97	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (449)	174.16	−7.78	−4.28	−18.96	−9.82	+14.05	+8.77
Latin America							
Argentina (22)	141.71	+1.01	+0.72	+2.89	+2.08	+34.58	+32.28
Brazil (22)	374.92	+6.08	+1.65	−50.99	−11.97	+113.89	+43.63
Chile (21)	214.23	−7.15	−3.23	−8.17	−3.67	+51.78	+31.88
Colombia (12)	257.73	−2.75	−1.06	+19.88	+8.36	+84.03	+48.38
Mexico (26)	113.36	−5.91	−4.95	+1.11	+0.99	+31.69	+38.79
Peru (12)	1,242.55	−4.24	−0.34	−13.14	−1.05	+235.34	+23.37
Venezuela (7)	92.17	+1.44	+1.59	−3.31	−3.47	+30.00	+48.24
Latin America (122)	198.86	−1.48	−0.74	−11.73	−5.57	+55.36	+38.58
Europe							
Czech Rep.(18)	84.60	+0.77	+0.92	+7.82	+10.18	−19.68	−18.87
Egypt (16)	205.13	+6.99	+3.53	+14.89	+7.83	+55.34	+36.95
Greece (19)	165.53	−7.09	−4.11	−7.54	−4.36	+53.22	+47.39
Poland (28)	320.34	−1.19	−0.37	+37.98	+13.45	−23.41	−6.81
Portugal (18)	185.52	−13.88	−6.96	−9.26	−4.76	+39.35	+26.92
Russia (9)	436.13	−40.78	−8.55	−22.33	−4.87	+257.10	+143.60
South Africa (28)	138.90	+0.07	+0.05	−7.47	−5.10	+9.01	+6.94
Turkey (27)	163.68	+0.14	+0.09	+3.64	+2.27	+38.64	+30.90
Europe (163)	136.36	−3.72	−2.66	−4.06	−2.89	+18.02	+15.23
Asia							
China (33)	85.86	−6.80	−7.34	+13.86	+19.24	+29.37	+52.00
Indonesia (26)	89.96	−26.42	−22.70	−62.67	−41.06	−66.47	−42.49
Korea (27)	85.47	−4.75	−5.26	−5.44	−5.98	+4.26	+5.25
Malaysia (20)	152.44	−28.77	−15.88	−64.47	−29.72	−127.98	−45.64
Pakistan (12)	81.58	−2.48	−2.95	−15.73	−16.16	+23.13	+39.57
Philippines (22)	168.34	−44.11	−20.76	−69.43	−29.20	−145.46	−46.35
Taiwan (30)	233.52	−5.01	−2.10	−17.68	−7.04	+48.08	+25.93
Thailand (28)	68.67	−12.38	−15.27	−38.92	−36.17	−86.49	−55.74
Asia (198)	174.43	−19.32	−9.97	−41.61	−19.26	−43.14	−19.83

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
World Bank	300	Sep 2001	6.25	99.989R	6.259	+8(6%Aug01)	ABN Amro Hoare Govett
BNG	300	Sep 2000	6.125	99.893R	6.240	+3(5%Aug00)	ABN Amro/Nikko
Svenska Handelsbanken‡	250	Sep 1998	(a)	100.079R	-	-	Salomon Brothers Intl
Unibank(b)‡	135	undated	(b1)	100.034R	-	-	CSFB/Salomon Brothers
Japan Highway Public Corp	500	Sep 2007	6.75	99.559R	6.812	+34(6½%Aug07)	IBJ Intl/JP Morgan Secs
Landesbank Sachsen	200	Sep 2000	5.625	98.205R	6.300	+12(6%Aug00)	BNP/Dresdner KB
Lehman Brothers Hldgs(e)‡	200	Sep 2002	(e1)	99.80R	-	-	Lehman Brothers Intl
Daiwa PB(f)‡	150	undated	(f1)	99.75R	-	-	Nomura International
Deutsche Ausgleichsbank	500	Sep 2002	6.375	99.888R	6.450	+18(6¾%Aug02)	Commerzbank/Salomon
Kommuninvest i Sverige★	50	Sep 1999	5.33#	100.00	5.330	-	IBJ Secs/New Japan
D-MARKS							
Kingdom of Denmark‡	1.75bn	Sep 2001	(c)	100.03R	-	-	Dresdner KB
Land Sachsen Anhalt	1bn	Sep 2007	5.75	99.11R	5.870	+14(6%Jul07)	ABN Amro/Deutsche
LB Schleswig-Holstein Fin	500	Sep 2004	5.25	99.048R	5.417	+10(6¾Jul04)	BNP/UBS Germany
Bacob Overseas‡	300	Sep 2000	(g)	100.00	-	-	Commerzbank
SBC, Jersey Branch(h)§	150	Sep 2002	1.00	97.825	-	-	SBC Warburg
Raindl Finance	200	Sep 2007	6.625	99.57R	6.685	+100(6Jul07)	BayerVB/Deutsche MG
YEN							
Swedish Export Credit§,s‡★	30bn	Jan 2001	4.15#	100.00	-	-	Daiwa Europe
Mitsui Mining, Smelting(k)§	15bn	Sep 2001	0.25#	100.00	-	-	Robert Fleming
STERLING							
Kansai Intl Airport Co	115	Sep 2007	7.875	99.322R	7.474	+24(7¼%-07)	BZW/Tokyo-Mitsubishi
Lloyds Bank(m)	200	undated	8.00	99.453R	8.051	+80(8%-2021)	BZW/SBC Warburg
World Bank★	150	Sep 2002	4.25	90.06	6.652	-	Nomura International
SWISS FRANCS							
Trans-Tokyo Bay Highway	240	Sep 2007	3.75	101.85	3.515	-	IBJ(Switz)/UBS
Mercury Energy	100	Oct 2002	2.50	99.45	2.619	-	UBS
LUXEMBOURG FRANCS							
Commerzbank(l)	2bn	Dec 2003	5.25	102.55	4.76	-	BCEE/BIL
BNG(l)	2bn	Dec 2005	5.50	102.45	5.12	-	ABN Amro/BGL
DANISH KRONER							
BBL International Finance	650	Dec 2004	zero	65.85	6.003	-	Bank Brussels Lambert
WestLB Finance Curaçao	400	Oct 2005	(n)	100.525	5.756	-	Generale/Kreditbank
ESCUDOS							
Morgan Guaranty Tst Co(d)	10bn	Sep 2007	zero	100.00	7.090	-	BPI
NEW ZEALAND DOLLARS							
Commerzbank(l)	100	Sep 1999	7.50	100.725	7.098	-	TD Securities
World Bank	500	Sep 2000	7.00#	99.195R	7.304	+15(l)	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) 3-mth Libor flat. b) Callable from Sep 02 at par. b1) 3-mth Libor +50bp to Sep 02, then +200bp. c) 3-mth Libor -15bp. d) Redemption price: 393.53%. Callable on 29/9/07 at 196.376%. e) $250m launched 15/8/97 was increased to $450m. e1) 3-mth Libor +30bp. f) Callable from Sep 02 at par. f1) 3-mth Libor +105bp to Sep 02, then +255bp. g) 3-mth Libor +5bp. h) Exchangeable into cash value of equity basket (ABB, Alusuisse, Daimler-Benz, Mannesmann, Veba) at initial 23.77% premium. Callable from Sep 00 at par. i) Over interpolated yield. j) Redeemed in US$. k) 5% to 27/10/01, then 7¼%. l) Long 1st coupon. m) Callable on 29/9/23 and every 5 yrs at par. If not called coupon is reset at 190bp over 5yr gilts. n) Conversion price: Y502. Callable at par from 1/10/98 with 125% protection to 31/3/01. Downward refixing after yr 1, 2 & 3; min 70% of initial and upward in yr 3; max 130%. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

BUSINESS TRAVEL

Travel Update · Roger Bray

Taxes and fares

Growing consumer pressure suggests that airlines flying from the UK will soon be required to include taxes in advertised fares.

Britain's Advertising Standards Authority is expected to take a decision next month on two complaints against two carriers. The signs are that it is questioning whether showing taxes separately is misleading.

There are three main reasons: irritation among package tour operators, which are governed by rules that make it much harder for them to do likewise; the view of Nigel Griffiths, consumer affairs minister, who wants taxes to be included in all fares and holiday prices; and the doubling of the UK's air passenger duty – to £10 on short-haul services and £20 on longer flights – which is due to take effect on November 1.

Action by the authority would affect the new wave of low-cost airlines and others advertising special promotional discounts, rather than carriers providing fare information over the telephone or through travel agents.

For passengers buying the cheapest available domestic deals, such as Ryanair's £19 one-way deal between London Stansted and Glasgow, the increased duty would represent almost half the ticket price.

Hyatt web service

Hyatt has employed what it claims is the hotel industry's first "cyber concierge" on its internet site (www.hyatt.com).

The Chicago-based company says web browsers can ask it any travel-related question and get a reply within 48 hours.

US-Taipei links

More convenient flights between Taipei and the US are promised as a result of an alliance between EVA Air and Continental Airlines. The Taiwanese carrier already serves Los Angeles, San Francisco, Seattle and New York.

The new deal should shorten connecting times to cities including Cleveland, Baltimore, Pittsburgh, Philadelphia and Boston.

BA sleeper suits

Feedback from customers has prompted British Airways to offer duvets and sleeper suits in first-class cabins on all overnight flights. Until now those items have been available only on westbound North Atlantic services.

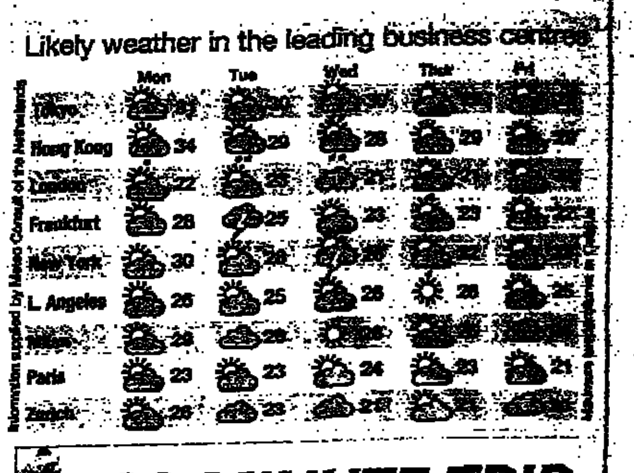
A spokesman says: "We first introduced the suits several years ago. It took some time for people to get used to the idea of changing on flights – but more and more passengers have been asking for them."

Qingdao hotel

The Hong Kong-based Shangri-La chain has opened a 502-room hotel in the Chinese industrial city of Qingdao on the Bohai Gulf. About 45 minutes' drive from the airport, it has 25 suites, laptop power points in rooms, an indoor pool and fitness centre. Qingdao was colonised by the Germans in the late 19th century. Home to China's biggest brewer, it is the prime industrial powerhouse in Shandong province.

Paris-Iran route

Air France will suspend flights between Paris and Tehran on September 14. It says income from the route falls 20 per cent short of operating costs. It blames several factors, including constraints imposed by the Iranian authorities, which it accuses of rejecting proposed fare increases.



Airline meals can be inedible. **Farrol Kahn** explains how to make the most of eating at altitude

Food for thought

Airborne meals are often criticised, but few passengers realise they themselves are partly to blame for the food's inedibility. The cabin atmosphere distorts their sense of taste and dehydrates the mucous membranes in their noses, which blunts the sense of smell.

As our response to food is dependent on the convergence of taste, smell and sight, the enjoyment of a meal is affected when two of these elements are altered.

Anton Mosimann, a veteran chef of flying restaurants, says: "A dish on the ground will taste totally different at high altitude." Prime fillet can be turned into boiled meat, rice can become lead pellets and a subtle Burgundy transform into vinegar.

"The airline caterer must work out suitable recipes with the chef and test them in the air before putting them on the menus," observes Herbert Szedenik of Airest Austrian Airlines.

Airlines do not only have to make sure their meals break the altitude barrier. Other problems include pre-cooking and storing the food before it is loaded on to the aircraft.

Anton Edelman, maître chef des cuisines at the Savoy hotel, says: "We have to select dishes which won't object to being reheated three hours after they are cooked. So we can't use puff pastry, which can split during regeneration, or certain sauces."

Space and weight are limited and, with just a convection oven on board, dishes left too long can turn into disasters. The co-operation of cabin staff is essential. One of the best services is found on Air France Concorde, where the regulars are the most demanding. "They pay for excellence and we must anticipate their needs," says Nicole Magnet, the purser.

On one United flight in first class, a passenger chose pasta while advising a fellow traveller to choose the lamb. He complained to the flight attendant as he poked his rigatoni: "It doesn't fight back. It's overcooked." The rack of lamb with spicy ketchup was, however, superb.

An important factor to be overcome is the passenger's sense of smell, which is impaired by the cabin air. It is an easy task for an airline to increase the degree of bitterness, salt, sweetness and sourness in their dishes. They have to stimulate our sluggish palates. Sauces and salad dressings keep the food moist and can contain piquant ingredients.

The same principle applies to wines, where vintages with savoury and penetrating flavours predominate. "The New World wines show character in the air," says Peter Nixson, manager of wine and beverages at British Airways. "Sophisticated wines, like Chablis, are below par."

IS THIS YOUR IDEA OF PROVIDING A WHOLESOME MEAL OF OUR OWN, THUS CUTTING OUT AIRLINE FOOD, SANDERS?

The blighted area of the cabin is in economy. Here frozen food predominates, while on flights of less than two hours, cold food is served. On US domestic flights, passengers are downgraded to peanuts, pretzels and colas. Jurgen Manchot of Henkel, the German chemicals group, dislikes such fare so much that he does not mind going on indirect routes with Lufthansa to his destination, to limit the number of internal flights.

Is it worth upgrading to first class? Martin Luchsinger, regional vice-president of Gate Gourmet, which supplies meals for 210 airlines worldwide, says: "Most certainly. The trend is to serve better food upfront. More choices are available, including fresh organic food."

Wherever you are sitting, there are some important dos and don'ts:

- **Water.** Drink less if the flight is full because of the higher relative humidity, and more if it is half empty.
- **Alcohol.** The effect of alcohol is increased due to a lack of oxygen to the brain. The adage "one drink on the ground equals two in the air" applies. Select wine rather than spirits because it is four times less potent.
- **Wine.** Do not choose a wine by the label, as reds can become too tannic, whites too acidic and Champagne can turn to soda pop. Favourite or expensive vintages are no guarantee that they will taste good. For example, Krug Champagne flies better than Veuve Cliquot-Ponsardin. Sauvignon blanc and an excellent claret could fail. Do taste your wine before drinking.
- **Food.** Airlines with consistently good cuisine on long-haul include Virgin, Lauda Air, Emirates, ANA and KLM. Avoid heavy dishes such as red meat or rich foods like foie gras, as they remain undigested in the stomach. The lack of oxygen in the cabin tends to cause sluggish digestion.

If you do not eat airline food, bring your own. Dan Phelan, a senior vice-president of SmithKline Beecham, who commutes from the US, sometimes takes a chicken sandwich. Eat salads, fruit and vegetarian dishes, particularly potatoes because of their high moisture content.

- **Juice.** Choose carrot juice. Drink a couple of glasses three days before your trip and on the day of departure. Research has shown that carrots reduce flight fatigue and minimise jetlag. There is up to 25 per cent less oxygen in the cabin due to pressurisation, and carrot juice reduces the loss of oxygen in your blood.

The author is director of the Aviation Health Institute

Less drudgery over expenses

Travelling executives find that the greatest drudgery of any business trip is filling out expenses forms afterwards. American Express's recent advertisements promising to take over this task will strike a note with people tired of adding up columns of numbers and stapling together taxi receipts.

American Express is marketing a computer program that lets business travellers file their expenses electronically. The drawback is that their employers must be signed on to both the corporate credit card program and the new software; automated expenses are not yet available as a consumer product.

Supporters of the package say it is worth the savings in man hours. "We estimate our employees spend half the time they used to filling in expenses sheets," says Lorraine Dolan, head of accounts payable for Cytec, the New Jersey-based speciality chemicals group. "And our expenses were already semi-automated, using Lotus spreadsheets to make calculations."

Software to categorise and add up travel expenses has long been on the market. The American Express product is a leap forward because all charges placed on its corporate cards are automatically downloaded to a travel expense file. In theory, an executive could charge a flight, meals and hotels, and merely fill in tips and taxis once back in the office.

In reality, things are more complicated. US tax laws specify that hotel charges must be itemised and meals classified as sustenance or entertainment, so executives will still have to send out receipts and review the electronic forms.

The program can be expensive for companies to run. The back-end module costs $10,000 (£6,250). Corporations must pay one-time customisation fees of up to $5,000 and $18 per user, with an annual levy of $5 for each user.

Nevertheless, it has been a success in the US. The company will conduct a pilot scheme in the UK this year, and may launch a similar product in Australia shortly.

"Every country's system must be handled separately, because they all have different tax laws," says Steve Norman, vice-president of corporate services for American Express. "But we expect a big response internationally, too. The distaste for filling out expense sheets seems to be universal."

Victoria Griffith

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Aberdeen 10.8% Rd 2011 £5.40
American General $0.35
Assoc British Foods 4.25p
Birmingham Mid Bldg Scty 9⅜% Perm Int Brg £46.875
Burndene Invs 0.75p
Cable & Wireless 7.7p
Coventry Bldg Scty 12⅛% Perm Int Brg £60.625
Delyn 1.5p
Dewhurst 0.96p
Do A N/Vtg 0.96p
Eurocopy 0.93p
Exmoor Dual Inv Tst 1.7p
Ex-Im Bank of Japan 8⅝% Gtd Bd 1999 $431.25
Fleming Claverhouse Inv Tst 1.45p
Fleming Inc & Cap Inv Tst 1.4p
Do Units 1.4p
Halifax 8¾% Perp Sb Bd £2187.50
Do 12% Perp Sb Bd £3000.0
Kalamazoo Computer 3.05p
London 2½% Cons £0.625
Do 3% Cons £0.75
Lorien 2.5p
Low & Bonar 5½% 3rd Cm Pf 1.925p
Do 6% 1st Cm Pf 2.1p
Do 6% 2nd Cm Pf 2.1p
Met Water Boad 3% B 1934/2003 £1.50
Mexico 16½% Ln 2008 £8.25
Meyer Int 7.8p
NK Props Linked Units R0.285
Oldham 11¼% Rd 2010 £5.625
P & O 3½% Db £1.75
Do 3½% 2nd Db £1.75
Sainsbury (J) 8% Irrd Un Ln £4.0
Sanctuary Housing 8⅝% 1st Mtg Db 2031 £4.1875
Sanyo Elec 5.1% Nts 1999 Y510000.0
Schneiders 6% Cm Pf 2.1p
Scottish & Newcastle 14.17p
Sutton & E Surrey Water 10% Rd Db 1997/99 £5.0
Thames Water 23.2p
Transcan Pipe 16½% 1st Mtg Pipe Line Bd 2007 8.25p
Treasury 8¾% Ln 1997 £4.375
Witan Inv 6¼% Exch Bd 2008 £31.25

■ TOMORROW

Asarco $0.20
Barclays Bank Non-Cm US$ Pf Ser C1 $0.4219
Do C2 $0.1406
Do D1 $0.4313
Do D2 $0.1437
Do Units $0.5625
Do Reg Ser D Pf Units $0.575
Compco 3.24p
Ford Motor $0.42
GEI Int 3p
H & C Furnishings 4p
Inco $0.10
Ingersoll-Rand $0.225
Prism Leisure 5.46p
Sanyo Elec 6% Nts 1997 Y600000.0
Sutton Harbour 2.2p
Trifast 6.67p
Union Carbide $0.1875

■ WEDNESDAY SEPTEMBER 3

Abtrust New Dawn Inv Tst 1.65p
Blick 4.5p
Conversion 9% 2000 £4.50
Countryside Properties 1p
Fuji Bank Int Fin Und Sb Gtd Var Rate Nts $1740.97
GN Great Nordic DKr12.0
Isetan 6.2% Nts 1999 Y620000.0
Raglan Ests 10¼-11¼% Stppd Int 1st Mtg Db 2012 £5.625
Royal Hotel 6.1% Bd 1997 Y610000.0
Southern Elec B 0.724219p
Yorkshire Water B 0.451406p

■ THURSDAY SEPTEMBER 4

Abbey Natl Treas Gtd Tec 10 Indxd FRN 2006 FFr118.25
Anglo Irish Cap Ser A Fltg Non-Cm Gtd N/Vtg Pf $2.078125
Faupel Trading 1.39p
Gen Motors Acct Can 7¾% Nts Sep 1997 C$77.50
Greene King 11.6p
Lex Service 6.8p
Lloyds Bank Sb FRN 1999 £18.43
Powerscreen Int 7.4p
Stakis 1.05p
Sweden 6½% Nts 2003 $32.50
Westpac Banking FRN 1999 DM80.18

■ FRIDAY SEPTEMBER 5

Abbey Natl Treas 10.7% Gtd Nts 1997 L535000.0
Aberforth Smaller Co's Tst 2.65p
Aberforth Split Level Tst 4p
Do Units 4p, Anglian 5.4p
Banner Homes 1.2p
Boeing $0.14
Domino Printing Sciences 4.4p
Enterprise 1.5p
Gillette $0.215
Ivory & Sime 6.15p
JLI 3.3p
Jupiter Extra Inc Tst 1.96875p
Jurys Hotel IR4.65p
Man (ED & F) 7.3p
Middlesex 0.1p
Mitsui Fxd/FRN 1998 Y1034202.0
Savills 2.5p
Uno 3p
Vega 3.5p

■ SATURDAY SEPTEMBER 6

Bank of Greece 10¾% Ln 2010 £5.375
Joseph (L) 9¼% Un Ln 1997/2002 £4.625

UK COMPANIES

■ TODAY

COMPANY MEETINGS:
Prism Leisure, Enfield Hotel, 52, Rowantree Road, Enfield, Middx., 10.00
H C Furnishings, Amberley House, New Road, Rainham, Essex, 11.00
BOARD MEETINGS:
Finals:
Brit Allcroft
Haynes Publishing
Roxspur
Interims:
Avonside
Bluebird Toys
Bunzl
Burmah Castrol
Charles Sidney
Cora
DCS Grp.
Emerald Energy
Gowrings
Kerry
Lilleshall
Perkins Foods
Persimmon
Singer & Friedlander

■ TOMORROW

COMPANY MEETINGS:
Abtrust New Dawn Inv Tst, 99, Charterhouse Street, E.C., 12.30
Bickerton, Oak Court, Sundrige Park, Porters Wood, St Albans, Herts., 12.00
Drings of Bath, Marriot Hotel, Church Street, Chalvey, Slough, Berks., 10.00
ML Hldgs., Hilton Heathrow Hotel, Terminal 4, Heathrow, 12.00
Sketchley, Exchange House, Primrose Street, E.C., 11.00
BOARD MEETINGS:
Finals:
Black (Peter)
Heritage Bathrooms
Macro 4
Interims:
CMG
CRH
CA Coutts
Finlay (James)
IMI
Iceland
Lambert Howarth
Parambe
Paramount Foods
Peek
PPL Therapeutics
Save
Serco
Stadium
Trafficmaster
Wimpey (G)

■ WEDNESDAY SEPTEMBER 3

COMPANY MEETINGS:
Associated British Engineering, 78, Chapel Street, Thatcham, Berks., 11.30
Birse, Forte Posthouse, Ferriby High Road, North Ferriby, Hull, 12.00
Radstone Technology, Water Lane, Towcester, Northants. 10.00
Savills, 25, Finsbury Circus, E.C., 12.00
Second London American Tst, 10, Park Place, S.W., 2.30
Syltone, Cross Lane, Tong, Bradford, 11.00
Triplex Lloyd, Birmingham Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, 1.00
BOARD MEETINGS:
Interims:
Amey
Beattie (James)
Burford
Cairn Energy
Capital Corp.
Evans Halshaw
Hickson
IFG
Johnston Press
Mithras Inv Tst
Pegasus
Pentland
Regal Hotel
Vardon
Waterford Wedgwood
Wilson (Connolly)

■ THURSDAY SEPTEMBER 4

COMPANY MEETINGS:
Carclo Engineering, Oulton Hall Hotel, Oulton, Leeds, 4.00
Corporate Executive Search Int, 7, Savoy Court, Strand, W.C., 10.00
Dixons, Grosvenor House Hotel, Park Lane, W., 11.30
Firth Hldgs, Moor House, 119, London Wall, E.C., 12.00
Greene King, Theatre Royal, Westgate Street, Bury St Edmunds, Suffolk, 12.00
John David Sports, Parklands, Heywood Distribution Park, Pilsworth Road, Heywood, Lancs., 3.00
Lawrence, 76, Coome Road, New Malden, Surrey, 4.00
Man (ED & F), Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 10.00
Mentmore Abbey, Abbey Business Centre, Ingate Place, Battersea, S.W., 11.00
Robert Wiseman Dairies, Bothwell Bridge Hotel, 89, Main Street, Bothwell, 12.00
Sigmet, New Connaught Rooms, Great Queen Street, W.C., 12.00
UNO, Exchange House, Primrose Street, E.C., 12.00
BOARD MEETINGS:
Finals:
Brierley Invs
Pacific Horizon
Wetherspoon (JD)
Interims:
Abbot
Cattles
Church & Co
Churchill China
Conister Tst
Fishers Int
Friendly Hotels
IBC, Laird
Laser-Scan
Manders
Molins, Pelon
Royal Doulton
Scholl
Silverrmines
Swallowfield
Wembley

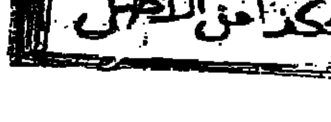
■ FRIDAY SEPTEMBER 5

COMPANY MEETINGS:
Adam & Harvey, Standard House, 15-16, Bonhill Street, E.C., 10.30
Border Television, The Television Centre, Carlisle, 12.00
GEC, The London Hilton Hotel, 22, Park Lane, W., 12.30
Menzies (John), George Hotel, George Street, Edinburgh, 12.15
Pordum Foods, 50, Stratton Street, W., 2.00
PSIT, Butchers' Hall, 87, Bartholomew Close, E.C., 12.00
Radiant Metal Finishing, 69, Fairfield, Bow, E., 10.30
Sunderland, Plaisterers' Hall, 1, London Wall, E.C., 12.00
BOARD MEETINGS:
Finals:
Fortnum & Mason
Interims:
Allzyme
Furlong Homes
Hammerson
Henlys
Litho Supplies
Vitec, Wood (Arthur)

■ SUNDAY SEPTEMBER 7

COMPANY MEETINGS:
FI Group, Heythorp Park, Chipping Norton, Oxfordshire, 11.00

Company meetings are annual general meetings unless otherwise stated. Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.



CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Aug 29		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.5457	+0.1267	386 - 528	20.5786	20.3850	20.4913	3.2	20.3786	3.3	19.8731	3.3	102.8
Belgium	(BFr)	60.2861	+0.382	225 - 097	60.3590	59.7300	60.0861	3.8	59.7161	3.7	57.8861	3.8	101.7
Denmark	(DKr)	11.1168	+0.0708	131 - 205	11.1363	11.0271	11.0858	3.4	11.0213	3.4	10.7298	3.5	104.0
Finland	(FM)	8.7900	+0.0821	843 - 957	8.8090	8.6840	8.7846	3.5	8.7121	3.5	8.4895	3.3	80.8
France	(FFr)	9.8371	+0.0723	344 - 397	9.8426	9.7422	9.8041	4.0	9.7471	3.7	9.4718	3.7	104.5
Germany	(DM)	2.9195	+0.0181	185 - 204	2.9256	2.8935	2.9102	3.8	2.8912	3.9	2.8043	3.9	102.6
Greece	(Dr)	459.148	+2.301	982 - 314	459.959	455.837	460.931	-4.7	463.555	-3.8	471.823	-2.8	65.2
Ireland	(I£)	1.0906	+0.0019	894 - 917	1.0918	1.0845	1.0901	0.6	1.0887	0.7	1.0778	1.2	99.8
Italy	(L)	2855.51	+18.67	450 - 652	2865.59	2834.18	2855.59	0.0	2855.56	0.0	2852.98	0.1	75.9
Luxembourg	(LFr)	60.2861	+0.382	225 - 097	60.3590	59.7300	60.0861	3.8	59.7161	3.7	57.9661	3.8	101.7
Netherlands	(Fl)	3.2865	+0.0184	855 - 875	3.2929	3.2600	3.2763	3.7	3.2554	3.8	3.1594	3.9	101.1
Norway	(NKr)	12.0884	+0.0861	813 - 955	12.1384	11.9672	12.0569	3.2	11.9949	3.1	11.7259	3.0	96.7
Portugal	(Es)	296.335	+1.902	199 - 471	296.754	293.896	296.179	0.6	295.649	0.9	291.561	1.6	92.1
Spain	(Pta)	246.582	+1.398	436 - 669	247.060	244.410	246.247	1.5	245.497	1.7	241.127	2.2	78.7
Sweden	(SKr)	12.7327	+0.0978	242 - 411	12.7612	12.5987	12.7052	2.6	12.6467	2.7	12.3902	2.7	85.3
Switzerland	(SFr)	2.4089	+0.011	057 - 080	2.4145	2.3932	2.396	5.5	2.3734	5.6	2.2731	5.6	105.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	102.2
Ecu	-	1.4848	+0.0078	842 - 854	1.4880	1.4746	1.4815	2.7	1.4743	2.8	1.4403	3.0	-
SDR†	-	1.185196	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6215	+0.0067	212 - 218	1.6247	1.6152	-	-	-	-	-	-	-
Brazil	(R$)	1.7710	+0.0085	705 - 715	1.7761	1.7663	-	-	-	-	-	-	-
Canada	(C$)	2.2518	+0.0104	510 - 526	2.2557	2.2459	2.2449	3.7	2.2313	3.6	2.1804	3.2	84.6
Mexico	(New Peso)	12.6160	+0.0666	055 - 264	12.6315	12.5841	-	-	-	-	-	-	-
USA	($)	1.6218	+0.0067	215 - 221	1.6250	1.6135	1.6197	1.6	1.6155	1.5	1.5986	1.4	105.8
Pacific/Middle East/Africa													
Australia	(A$)	2.2082	+0.0154	070 - 093	2.2127	2.1982	2.2046	2.0	2.1982	2.2	2.1593	2.2	93.0
Hong Kong	(HK$)	12.5674	+0.0552	642 - 705	12.5881	12.5153	12.5664	0.1	12.5596	0.2	12.5049	0.5	-
India	(Rs)	58.9206	+0.1545	280 - 120	59.1010	58.7660	59.1152	-4.0	59.5158	-4.0	61.1955	-3.9	-
Israel	(Shk)	5.7071	+0.0339	994 - 148	5.7148	5.7006	-	-	-	-	-	-	-
Japan	(Y)	195.086	+3.721	002 - 171	195.660	192.002	194.068	6.3	192.041	6.2	183.058	6.2	128.5
Malaysia	(M$)	4.7284	+0.0373	234 - 333	4.7929	4.6318	4.7326	-1.1	4.7406	-1.0	4.7593	-0.7	-
New Zealand	(NZ$)	2.5371	+0.0274	356 - 385	2.5391	2.5131	2.5403	-1.5	2.5441	-1.1	2.5447	-0.3	107.8
Philippines	(Peso)	49.3028	+0.4056	315 - 741	50.2421	48.9125	49.4828	-3.9	49.7121	-3.3	50.7891	-3.0	-
Saudi Arabia	(SR)	6.0827	+0.0251	814 - 840	6.0946	6.0593	6.0792	0.7	6.0708	0.8	6.0343	0.8	-
Singapore	(S$)	2.4530	-0.0084	509 - 550	2.4846	2.4198	2.4484	2.3	2.4383	2.4	2.3901	2.6	-
South Africa	(R)	7.6067	+0.0153	048 - 125	7.6168	7.5818	7.6694	-9.6	7.7873	-9.4	8.2242	-8.1	-
South Korea	(Won)	1463.68	+6.05	935 - 800	1468.00	1457.34	-	-	-	-	-	-	-
Taiwan	(T$)	46.5781	+0.2417	884 - 678	46.6678	46.4884	46.5615	0.4	46.5217	0.5	46.324	0.5	-
Thailand	(Bt)	55.4494	+0.4955	580 - 407	56.8730	55.2210	55.788	-7.3	56.2476	-5.8	57.2778	-3.3	-

† Rates for Aug 28. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.6685	+0.0259	664 - 705	12.6950	12.6020	12.6445	2.3	12.5955	2.3	12.3715	2.3	101.9
Belgium	(BFr)	37.1600	+0.07	400 - 800	37.2440	36.9340	37.085	2.4	36.9335	2.4	36.24	2.5	101.8
Denmark	(DKr)	6.8546	+0.0154	536 - 556	6.8700	6.8136	6.8429	2.0	6.8186	2.1	6.7122	2.1	103.4
Finland	(FM)	5.4199	+0.0283	174 - 224	5.4275	5.3894	5.4084	2.6	5.3848	2.6	5.2809	2.4	80.4
France	(FFr)	6.0655	+0.0195	650 - 660	6.0722	6.0238	6.054	2.3	6.0301	2.3	5.9213	2.4	104.0
Germany	(DM)	1.8002	+0.0068	999 - 004	1.8045	1.7895	1.7964	2.6	1.7886	2.6	1.7536	2.6	102.3
Greece	(Dr)	283.110	+0.25	060 - 160	283.830	281.780	284.405	-5.5	286.46	-4.7	293.61	-3.7	65.0
Ireland	(I£)	1.4872	+0.0037	858 - 885	1.4928	1.4845	1.4865	0.6	1.4855	0.5	1.4859	0.1	-
Italy	(L)	1760.71	+4.28	041 - 100	1767.00	1752.55	1762.48	-1.2	1765.49	-1.1	1768.91	-0.5	75.7
Luxembourg	(LFr)	37.1600	+0.07	400 - 800	37.2440	36.9340	37.085	2.4	36.9335	2.4	36.24	2.5	101.8
Netherlands	(Fl)	2.0265	+0.003	262 - 267	2.0325	2.0158	2.0223	2.5	2.0137	2.5	1.976	2.5	101.1
Norway	(NKr)	7.4537	+0.0224	507 - 567	7.4868	7.3971	7.4393	2.3	7.4108	2.3	7.2881	2.1	96.2
Portugal	(Es)	182.720	+0.42	670 - 770	183.100	181.730	182.684	0.2	182.63	0.2	181.46	0.7	92.7
Spain	(Pta)	152.030	+0.235	980 - 080	152.430	151.150	151.985	0.4	151.81	0.6	150.635	0.9	76.3
Sweden	(SKr)	7.8510	+0.0281	472 - 547	7.8769	7.7866	7.8419	1.4	7.8226	1.4	7.7488	1.3	85.1
Switzerland	(SFr)	1.4841	+0.0007	836 - 845	1.4895	1.4805	1.4788	4.3	1.4681	4.3	1.4226	4.1	105.3
UK	(£)	1.6218	+0.0067	215 - 221	1.6250	1.6155	1.6197	1.6	1.6155	1.5	1.5986	1.4	101.2
Ecu	-	1.0923	-0.0012	920 - 925	1.0968	1.0895	1.0938	-1.6	1.097	-1.7	1.1125	-1.8	-
SDR†	-	0.73546	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0920	+0.0007	919 - 921	1.0930	1.0911	-	-	-	-	-	-	-
Canada	(C$)	1.3885	+0.0007	882 - 887	1.3902	1.3869	1.3854	2.7	1.3797	2.5	1.3591	2.1	84.5
Mexico	(New Peso)	7.7790	+0.009	740 - 840	7.7840	7.7720	7.8875	-16.7	8.0985	-16.4	9.009	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3616	+0.0039	611 - 620	1.3620	1.3611	1.361	0.5	1.3592	0.7	1.3508	0.8	94.4
Hong Kong	(HK$)	7.7490	+0.002	485 - 495	7.7495	7.7450	7.7495	-0.1	7.7504	-0.1	7.7527	0.0	-
India	(Rs)	36.3300	-0.055	800 - 800	36.3800	36.2800	36.4675	-4.5	35.7525	-4.7	37.965	-4.5	-
Israel	(Shk)	3.5190	+0.0064	149 - 231	3.5231	3.5124	-	-	-	-	-	-	-
Japan	(Y)	120.290	+1.805	260 - 320	120.470	118.850	119.775	5.1	118.775	5.0	114.475	4.8	131.2
Malaysia	(M$)	2.9155	+0.011	130 - 180	2.9650	2.8630	2.92	-1.9	2.929	-1.9	2.959	-1.5	-
New Zealand	(NZ$)	1.5643	+0.0104	637 - 649	1.5649	1.5625	1.5651	-0.6	1.5675	-0.8	1.5776	-0.9	-
Philippines	(Peso)	30.4000	+0.125	000 - 000	31.1000	30.1000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	505 - 507	3.7507	3.7505	3.7513	-0.2	3.7523	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.5125	-0.0115	115 - 135	1.5375	1.4960	1.5108	1.4	1.507	1.5	1.4875	1.7	-
South Africa	(R)	4.6915	-0.01	900 - 930	4.6980	4.6800	4.732	-10.4	4.8115	-10.2	5.114	-9.0	-
South Korea	(Won)	902.500	-	000 - 000	905.000	900.00	-	-	-	-	-	-	-
Taiwan	(T$)	28.7200	+0.0305	700 - 700	28.7700	28.6700	28.731	-0.5	28.74	-0.3	28.8325	-0.4	-
Thailand	(Bt)	34.1900	+0.165	400 - 400	34.8000	32.5010	34.635	-15.6	35.34	-13.5	36.57	-7.0	-

† SDR rate per $ for Aug 28. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 28: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

August 29	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	$3\frac{11}{32}$	$3\frac{3}{8}$	$3\frac{13}{32}$	$3\frac{15}{32}$	$3\frac{19}{32}$	6.00	2.50	-
week ago	$3\frac{3}{8}$	$3\frac{3}{8}$	$3\frac{3}{8}$	$3\frac{15}{32}$	$3\frac{19}{32}$	6.00	2.50	-
France	$3\frac{5}{16}$	$3\frac{1}{4}$	$3\frac{11}{32}$	$3\frac{15}{32}$	$3\frac{19}{32}$	3.10	-	4.75
week ago	$3\frac{5}{16}$	$3\frac{1}{4}$	$3\frac{3}{8}$	$3\frac{15}{32}$	$3\frac{19}{32}$	3.10	-	4.75
Germany	$3\frac{1}{4}$	$3\frac{5}{16}$	$3\frac{1}{4}$	$3\frac{15}{32}$	$3\frac{5}{8}$	4.50	2.50	3.00
week ago	$3\frac{1}{4}$	$3\frac{5}{16}$	$3\frac{1}{4}$	$3\frac{3}{8}$	$3\frac{5}{8}$	4.50	2.50	3.00
Ireland	$6\frac{1}{8}$	$6\frac{1}{4}$	$6\frac{1}{4}$	$6\frac{3}{8}$	$6\frac{3}{8}$	-	-	6.75
week ago	$6\frac{7}{8}$	$6\frac{1}{4}$	$6\frac{3}{8}$	$6\frac{3}{8}$	$6\frac{1}{2}$	-	-	6.75
Italy	$6\frac{3}{4}$	$6\frac{23}{32}$	$6\frac{7}{8}$	$6\frac{19}{32}$	$6\frac{3}{8}$	7.75	6.25	6.17
week ago	$6\frac{7}{8}$	$6\frac{23}{32}$	$6\frac{5}{8}$	$6\frac{19}{32}$	$6\frac{1}{2}$	7.75	6.25	6.17
Netherlands	$3\frac{1}{4}$	$3\frac{3}{8}$	$3\frac{3}{8}$	$3\frac{1}{2}$	$3\frac{5}{8}$	-	2.50	3.00
week ago	$3\frac{7}{16}$	$3\frac{3}{8}$	$3\frac{7}{16}$	$3\frac{17}{32}$	$3\frac{5}{8}$	-	2.50	3.00
Switzerland	$1\frac{1}{8}$	$1\frac{1}{8}$	$1\frac{1}{4}$	$1\frac{1}{2}$	$1\frac{7}{8}$	-	1.00	-
week ago	$\frac{7}{8}$	$1\frac{1}{8}$	$1\frac{3}{8}$	$1\frac{5}{8}$	$1\frac{7}{8}$	-	1.00	-
US	$5\frac{11}{16}$	$5\frac{19}{32}$	$5\frac{3}{4}$	$5\frac{3}{4}$	$5\frac{7}{8}$	-	5.00	-
week ago	$5\frac{1}{2}$	$5\frac{21}{32}$	$5\frac{5}{8}$	$5\frac{25}{32}$	6	-	5.00	-
Japan	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	-	0.50	-
week ago	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	$5\frac{21}{32}$	$5\frac{23}{32}$	$5\frac{27}{32}$	$6\frac{1}{32}$	-	-	-
week ago	-	$5\frac{21}{32}$	$5\frac{23}{32}$	$5\frac{27}{32}$	$6\frac{1}{32}$	-	-	-
US Dollar CDs	-	5.44	5.48	5.54	5.71	-	-	-
week ago	-	5.44	5.46	5.53	5.67	-	-	-
ECU Linked Ds	-	$4\frac{1}{16}$	$4\frac{1}{8}$	$4\frac{1}{8}$	$4\frac{1}{4}$	-	-	-
week ago	-	$4\frac{1}{16}$	$4\frac{1}{4}$	$4\frac{11}{32}$	$4\frac{13}{32}$	-	-	-
SDR Linked Ds	-	$3\frac{15}{32}$	$3\frac{5}{8}$	$3\frac{23}{32}$	$3\frac{7}{8}$	-	-	-
week ago	-	$3\frac{17}{32}$	$3\frac{5}{8}$	$3\frac{23}{32}$	$3\frac{7}{8}$	-	-	-

$ LIBOR Interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 29	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$3\frac{1}{2} - 3\frac{3}{16}$	$3\frac{17}{32} - 3\frac{15}{32}$	$3\frac{5}{8} - 3\frac{1}{2}$	$3\frac{3}{4} - 3\frac{5}{8}$	$3\frac{3}{4} - 3\frac{5}{8}$	$3\frac{7}{8} - 3\frac{23}{32}$
Danish Krone	$3\frac{15}{32} - 3\frac{7}{16}$	$3\frac{15}{32} - 3\frac{13}{32}$	$3\frac{17}{32} - 3\frac{13}{32}$	$3\frac{23}{32} - 3\frac{17}{32}$	$3\frac{7}{8} - 3\frac{3}{4}$	$4\frac{1}{8} - 4$
German Mark	$4 - 3\frac{3}{4}$	$3\frac{1}{8} - 3$	$3\frac{7}{32} - 3\frac{3}{32}$	$3\frac{5}{16} - 3\frac{3}{16}$	$3\frac{15}{32} - 3\frac{11}{32}$	$3\frac{19}{32} - 3\frac{15}{32}$
Dutch Guilder	$3\frac{1}{4} - 3\frac{1}{8}$	$3\frac{5}{16} - 3\frac{3}{16}$	$4\frac{5}{16} - 4\frac{1}{4}$	$4\frac{13}{32} - 4\frac{3}{8}$	$3\frac{5}{16} - 3\frac{3}{16}$	$3\frac{3}{4} - 3\frac{5}{8}$
French Franc	$3\frac{1}{4} - 3\frac{1}{8}$	$3\frac{1}{4} - 3\frac{1}{8}$	$3\frac{5}{16} - 3\frac{3}{16}$	$3\frac{13}{32} - 3\frac{5}{16}$	$3\frac{17}{32} - 3\frac{7}{16}$	$3\frac{3}{4} - 3\frac{5}{8}$
Portuguese Esc.	$5\frac{1}{2} - 5\frac{7}{16}$	$5\frac{15}{32} - 5\frac{7}{16}$	$5\frac{1}{2} - 5\frac{7}{16}$	$5\frac{15}{32} - 5\frac{7}{16}$	$5\frac{13}{32} - 5\frac{3}{8}$	$5\frac{3}{8} - 5\frac{1}{4}$
Spanish Peseta	$5\frac{7}{16} - 5\frac{1}{4}$	$5\frac{3}{8} - 5\frac{5}{16}$	$5\frac{3}{8} - 5\frac{9}{32}$	$5\frac{5}{16} - 5\frac{3}{16}$	$5\frac{1}{4} - 5\frac{3}{16}$	$5\frac{3}{16} - 5\frac{1}{8}$
Sterling	$7\frac{3}{16} - 6\frac{15}{16}$	$7\frac{1}{4} - 7\frac{1}{8}$	$7\frac{9}{32} - 7\frac{5}{32}$	$7\frac{5}{16} - 7\frac{3}{16}$	$7\frac{15}{32} - 7\frac{3}{8}$	$7\frac{5}{8} - 7\frac{1}{2}$
Swiss Franc	$1\frac{1}{2} - 1$	$1\frac{1}{16} - \frac{15}{16}$	$1\frac{3}{32} - 1\frac{1}{32}$	$1\frac{3}{8} - 1\frac{1}{8}$	$1\frac{5}{8} - 1\frac{3}{8}$	$1\frac{15}{16} - 1\frac{13}{16}$
Canadian Dollar	$3\frac{3}{8} - 3\frac{1}{4}$	$3\frac{3}{8} - 3\frac{1}{4}$	$3\frac{7}{16} - 3\frac{5}{16}$	$3\frac{19}{32} - 3\frac{15}{32}$	$3\frac{7}{8} - 3\frac{3}{4}$	$4\frac{1}{4} - 4\frac{1}{8}$
US Dollar	$5\frac{23}{32} - 5\frac{19}{32}$	$5\frac{21}{32} - 5\frac{17}{32}$	$5\frac{21}{32} - 5\frac{17}{32}$	$5\frac{23}{32} - 5\frac{19}{32}$	$5\frac{27}{32} - 5\frac{3}{4}$	$6\frac{1}{16} - 5\frac{15}{16}$
Italian Lira	$7\frac{11}{32} - 6\frac{25}{32}$	$6\frac{15}{16} - 6\frac{25}{32}$	$6\frac{25}{32} - 6\frac{11}{16}$	$6\frac{27}{32} - 6\frac{3}{4}$	$6\frac{3}{4} - 6\frac{21}{32}$	$6\frac{5}{8} - 6\frac{17}{32}$
Japanese Yen	$\frac{17}{32} - \frac{1}{2}$	$\frac{17}{32} - \frac{1}{2}$	$\frac{19}{32} - \frac{17}{32}$	$\frac{19}{32} - \frac{9}{16}$	$\frac{19}{32} - \frac{9}{16}$	$\frac{19}{32} - \frac{15}{32}$
Asian $Sing	$4 - 3\frac{1}{2}$	$4\frac{5}{8} - 4\frac{1}{2}$	$4\frac{5}{8} - 4\frac{3}{8}$	$4\frac{1}{2} - 4\frac{1}{4}$	$4\frac{3}{8} - 4\frac{1}{4}$	$4\frac{3}{8} - 4\frac{1}{4}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.27	94.27	-	94.29	94.26	42,350	467,145
Dec	94.12	94.09	-0.02	94.14	94.07	101,521	511,340
Mar	94.04	93.99	-0.05	94.07	93.96	109,313	357,532

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.94	94.93	-	94.96	94.93	563	6,510
Dec	94.87	94.81	-0.02	94.87	94.79	26	2,567
Mar	-	94.75	-0.03	94.82	94.73	4	1,189

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 29		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.32	4.844	1.809	4738	5.453	20.06	491.7	409.1	21.13	3.994	1.659	3.737	2.691	323.7	2.464
Denmark	(DKr)	54.21	10	8.849	2.626	0.981	2569	2.956	10.87	266.6	221.8	11.45	2.165	0.900	2.026	1.459	175.5	1.336
France	(FFr)	61.26	11.30	10	2.968	1.109	2903	3.341	12.29	301.2	250.6	12.94	2.447	1.017	2.289	1.649	198.3	1.509
Germany	(DM)	20.64	3.808	3.369	1	0.374	978.1	1.126	4.140	101.5	84.45	4.361	0.824	0.343	0.771	0.556	66.82	0.509
Ireland	(I£)	55.26	10.19	9.021	2.677	1	2619	3.014	11.09	271.7	226.1	11.68	2.207	0.917	2.065	1.487	178.9	1.362
Italy	(L)	2.111	0.389	0.345	0.102	0.038	100	0.115	0.423	10.38	8.635	0.446	0.084	0.035	0.079	0.057	6.832	0.052
Netherlands	(Fl)	18.34	3.382	2.993	0.888	0.332	868.8	1	3.678	90.17	75.02	3.874	0.732	0.304	0.685	0.493	59.36	0.452
Norway	(NKr)	49.85	9.196	8.138	2.415	0.902	2362	2.719	10	245.1	204.0	10.53	1.991	0.827	1.863	1.342	161.4	1.228
Portugal	(Es)	20.34	3.751	3.320	0.985	0.368	963.6	1.109	4.079	100	83.20	4.297	0.812	0.337	0.760	0.547	65.83	0.501
Spain	(Pta)	24.44	4.509	3.990	1.184	0.442	1158	1.333	4.903	120.2	100	5.164	0.976	0.406	0.913	0.658	79.12	0.602
Sweden	(SKr)	47.33	8.731	7.726	2.293	0.856	2243	2.581	9.494	232.7	193.6	10	1.890	0.785	1.769	1.274	153.2	1.166
Switzerland	(SFr)	25.04	4.619	4.087	1.213	0.453	1186	1.365	5.022	123.1	102.4	5.290	1	0.415	0.936	0.674	81.05	0.617
UK	(£)	60.27	11.12	9.837	2.920	1.091	2858	3.287	12.09	296.3	246.6	12.73	2.407	1	2.252	1.622	195.1	1.485
Canada	(C$)	26.76	4.937	4.368	1.297	0.484	1268	1.459	5.368	131.6	109.5	5.654	1.069	0.444	1	0.720	86.63	0.659
USA	($)	37.16	6.855	6.066	1.800	0.672	1761	2.027	7.454	182.7	152.0	7.851	1.484	0.617	1.389	1	120.3	0.916
Japan	(Y)	30.89	5.698	5.042	1.497	0.559	1464	1.685	6.198	151.9	126.4	6.527	1.234	0.513	1.154	0.831	100	0.761
Ecu	-	40.59	7.487	6.625	1.966	0.734	1923	2.214	8.142	199.6	166.1	8.576	1.621	0.674	1.517	1.092	131.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.5572	0.5533	-0.0041	0.5594	0.5516	39,047	96,061
Dec	0.5610	0.5565	-0.0041	0.5610	0.5548	2,063	6,912
Mar	0.5635	0.5596	-0.0041	0.5635	0.5590	1	1,534

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.6750	0.6712	-0.0036	0.6770	0.6696	15,099	50,782
Dec	0.6825	0.6782	-0.0037	0.6827	0.6767	388	3,690
Mar	-	0.6852	-0.0037	-	0.6850	114	1,061

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.8413	0.8281	-0.0133	0.8430	0.8262	20,533	87,616
Dec	0.8510	0.8389	-0.0135	0.8532	0.8369	921	8,454
Mar	0.8500	0.8502	-0.0137	0.8502	0.8500	9	578

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.6156	1.6194	+0.0034	1.6240	1.6150	6,121	46,814
Dec	1.6160	1.6132	+0.0034	1.6188	1.6092	309	1,607
Mar	-	1.6068	+0.0034	1.6100	-	1	217

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.610	1.65	2.41	3.14	0.83	1.75	2.69
1.620	1.14	1.90	2.65	1.25	2.25	3.21
1.630	0.85	1.48	2.27	1.86	2.78	3.78

Previous day's vol., Calls 128 Puts 285. Prev. day's open int., Calls 36,307 Puts 38,326

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
0.550	0.65	1.04	1.37	0.41	0.70	0.94
0.555	0.41	0.85	1.12	0.65	0.95	1.18
0.560	0.24	0.66	0.90	0.97	1.25	1.44

Previous day's vol., Calls 44,642 Puts 25,013. Prev. day's open int., Calls 65,770 Puts 45,631

UK INTEREST RATES

LONDON MONEY RATES

Aug 29	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	$7\frac{3}{16} - 6\frac{1}{2}$	$7\frac{1}{8} - 7$	$7\frac{3}{16} - 7\frac{1}{16}$	$7\frac{5}{16} - 7\frac{3}{16}$	$7\frac{1}{2} - 7\frac{3}{8}$	$7\frac{5}{8} - 7\frac{1}{2}$
Sterling CDs	-	-	$7\frac{1}{8} - 7\frac{1}{16}$	$7\frac{3}{16} - 7\frac{1}{8}$	$7\frac{5}{32} - 7\frac{7}{32}$	$7\frac{7}{16} - 7\frac{3}{8}$
Treasury Bills	-	-	$6\frac{15}{16} - 6\frac{13}{16}$	$7 - 6\frac{7}{8}$	-	-
Bank Bills	-	-	$6\frac{15}{16} - 6\frac{13}{16}$	$6\frac{31}{32} - 6\frac{27}{32}$	$7\frac{3}{16} - 7\frac{1}{16}$	-
Local authority deps.	$7 - 6\frac{3}{4}$	$7 - 6\frac{3}{4}$	$7\frac{3}{32} - 7\frac{1}{32}$	$7\frac{5}{32} - 7\frac{3}{32}$	$7\frac{9}{32} - 7\frac{7}{32}$	$7\frac{7}{16} - 7\frac{3}{8}$
Discount Market deps	$7 - 6\frac{7}{8}$	$6\frac{7}{8} - 6\frac{3}{4}$	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$2\frac{1}{2}$	$5\frac{1}{2}$	5	5	$4\frac{3}{4}$

Certs of Tax dep. under £100,000 is $2\frac{1}{2}$pc. Deposits withdrawn for cash $1\frac{1}{4}$pc.
Ave. tender rate of discount on Aug 29, 6.9241pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 29, 1997. Agreed rate for period Sep 24, 1997 to Oct 25, 1997, Scheme III 8.50pc. Reference rate for period Aug 1, 1997 to Aug 29, 1997, Schemes IV & V 7.229pc. Finance House Base Rate 7pc from Aug 1, 1997

BANK OF ENGLAND TREASURY BILL TENDER

	Aug 29	Aug 22		Aug 29	Aug 22
Bills on offer	£200m	£200m	Top accepted rate	6.9390%	6.8387%
Total of applications	£714m	£775m	Ave. rate of discount	6.9241%	6.8277%
Total allocated	£200m	£200m	Average yield	7.0457%	6.9459%
Min. accepted bid	£98.270	£98.295	Offer at next tender	£200m	£200m
Allotment at min. level	80%	63%	Min. accept. bid 92 days	-	-

■ Pound in New York

Aug 29	- Close -	- Prev. close -
£ spot	1.6205	1.6185
1 mth	1.6185	1.6165
3 mth	1.6148	1.6123
1 yr	1.5973	1.5953

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Duncan Lawrie	7.00	Scottish Widows Bank	7.00
Allied Irish Bank (GB)	7.00	Exeter Bank Limited	8.00	●Singer & Friedlander	7.00
●Henry Ansbacher	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.00
Bank of Baroda	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	67.00	Unity Trust Bank Plc	7.00
Bank of India	6.75	Heritable & Gen Inv Bk	7.00	Whiteaway Laidlaw	7.00
Bank of Scotland	7.00	C. Hoare & Co	7.00	Yorkshire Bank	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00		
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00		
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00		
Citibank NA	7.00	●Leopold Joseph & Sons	7.00		
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
		Royal Bk of Scotland	7.00		

● Members of London Investment Banking Association
* In administration

OTHER STATISTICS

STOCK INDICES

FTSE 100, FTSE 250, FTSE 250 ex IT, FTSE 350, FTSE SmallCap, FTSE SmallCap ex IT, FTSE All-Share, FTSE Fledgling, FTSE Eurotrack 100, FTSE Eurotrack 200, FT 30, FT Govt. Secs, FT Fixed Interest, FTSE Gold Mines [illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997 High	1997 Low	Stock	Closing price p	+or-
225	Nil	12/9	30pm	24pm	Dixon Motors	29pm	
21	Nil	2/9	2pm	$1\frac{1}{4}$pm	Golden Land	2pm	
805	Nil	21/8	230pm	140pm	Logica	182pm	
265	Nil	11/9	5pm	$1\frac{1}{4}$pm	Pendragon	3pm	$+\frac{1}{4}$

pm premium.

TRADITIONAL OPTIONS

First Dealings Aug 26 Expiry Nov 20
Last Dealings Sept 8 Settlement Nov 27
Calls: Dana Pet., Shield Diag., Stanford Rock.

BANK RETURN

BANKING DEPARTMENT	Wednesday August 27, 1997 £	Increase or decrease for week £
Liabilities		
Capital	14,553,000	
Public deposits	1,033,168,986	+15,225,115
Bankers deposits	2,580,779,479	+27,450,472
Reserve and other accounts	3,192,802,728	-71,382,609
	6,821,303,605	-28,707,022
Assets		
Government securities	1,639,976,305	+299,920,000
Advance and other accounts	4,586,313,122	-408,549,428
Premises, equipment and other secs	587,354,082	-80,430,101
Notes	7,580,545	-481,892
Coin	99,551	-26,605
	6,821,303,605	-28,707,022
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	22,572,439,455	+270,481,892
Notes in Banking Department	7,580,545	-481,892
	22,580,000,000	+270,000,000
Assets		
Other Government securities	14,345,268,485	+171,747,653
Other Securities	8,234,731,515	+98,252,347
	22,580,000,000	+270,000,000

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Aug 29	% chg on day	Aug 28	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1411.93	-22.8	38.86	100.00	2.65	-	2049.29	1270.14
■ Regional Indices								
Africa (14)	1418.85	-33.2	8.51	22.54	5.40	23.52	2695.68	1324.06
Australasia (6)	1505.49	-32.1	3.98	10.48	1.67	17.51	2378.36	1336.10
North America (11)	1411.52	-16.4	25.56	67.20	1.89	71.71	1830.77	1244.25

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UK GILTS PRICES

[illegible]

(b) Figures in parentheses show RPI base for indexing. (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for December 1996: 154.4 and for July 1997: 157.5.

— Other Fixed Interest —

[illegible]

LEGAL NOTICES

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
Sterling Floating Rate Notes due 1997

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period from August 29th, 1997 to November 14th, 1997, has been fixed at 7.4375 per cent. per annum.
On November 14th, 1997 interest of sterling 78.45 per sterling 5,000 nominal amount of the Notes, and interest of sterling 392.25 per sterling 25,000 nominal amount of the Notes, will be due against Coupon No. 52.

SBC Warburg
A Division of Swiss Bank Corporation
Reference Bank

PERFORMANCE SUPPORT INTERNATIONAL LIMITED
COMPUTING ENVIRONMENT LIMITED
(BOTH IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named companies will be held at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU on 4 September 1997 at 10.00 o'clock in the forenoon, for the purpose of having laid before it a copy of the report prepared by the Joint Administrative Receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it by, or under the Act.
Creditors are only entitled to vote if:
(a) they have delivered to us at the address shown above, no later than 1200 hours on the business day before the meeting, written details of the debts they claim to be due, and the claim has been duly admitted under the provisions of the Insolvency Rules 1986 and
(b) there had been lodged with us any proxy which the creditor intends to use on his behalf.
Dated this 27th day of August 1997
V M BAIRSTOW and M J HORE
Joint Administrative Receivers

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	W'k% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Allied Domecq	[illegible]	468½	–	027.13	1.4	Feb Jul	19.5	1230
Bulmer (HP)	[illegible]	417½xd	-1.2	14.52	2.5	Feb Sep	17.8	2005
Burn St Dist	[illegible]	46	5.7	3.4	1.2	May Nov	7.4	1518
Glenmorangie A		875	–	13.2	3.1	Jan Jul	23.6	3257
B		1080	[illegible]	8.8	3.1	Jan Jul	23.6	–
Grand Met	[illegible]	588½xd	-2.3	018.81	1.9	Apr Oct	21.7	2788
Guinness	[illegible]	546½	-3.9	18.1	2.2	May Nov	1.4	2791
Highland	[illegible]	312½	-3.8	8.4	2.5	Jan Jun	6.5	2880
5¼pc Cnv Bds		89½	–	05¼%	–	Jul Jan	7.7	–
Nmn Y		982¼	-3.1	[illegible]	–	Sep Mar	25.12	1119
Matthew Clark	[illegible]	237xd	–	24.0	1.4	Apr Oct	4.8	2153
Merrydown	[illegible]	60xd	–	3.1	1.3	Jan Oct	21.7	3262
Seagram C$		422	-.7	068c	–	MrJeSeDe	28.11	–

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

	Notes	Price	W'k% ch'nge	Div gross	Dividends paid	Last xd	City line
[illegible]							
Royal Bk Canada C$		[illegible]	4.1	[illegible]	[illegible]	[illegible]	[illegible]
Toronto-Dom C$		[illegible]	3.1	1.12c	JaApJyOc	16.12	1207
Trans Can Pipe C$	♥	11½	−1.9	$1.18	JaApJyOc	25.6	–
Western Star Trucks C$		17½	−4.8	–	–	–	–

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind R		527½	—	0595c	ф	May Oct	2.9	–
Barlow	♣†	971½	−.6	0108c	3.3	Jan Jul	9.12	–
Gold Flds Prop R	†	142	−2.8	085c	1.5	Feb Sep	29.6	–
SA Brews		2191½	−2	0287c	ф	Jul Feb	2.6	4113
Standard Bank		2274½	−5.0	0497c	ф	Sep Mar	3.3	–
Tiger Oats	†	949	−7.5	0139½c	2.8	Jan Jul	9.6	–
Tongaat-Hulett		759½	−1.0	01425	ф	Jan Jul	17.6	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. ¢ Assumed dividend. £ Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions:** Metroline (Trns), Blakes Clothing, Lepco, Longbridge Intl (AIM). **Deletions:** APV (Eng), Corriente (Exdn), Govett Global Smaller Co's, Do Warrants (InTr), Circle Comms (AIM).

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The share prices printed on these pages are also available on the internet at http//www.FT.com.

–	55613	Veritas Performance Dollar	$9.881	10.410	–	44871
–	55614	Veritas Managed Sterling	£3.789	10.505	–	44874
–	55615	Veritas Managed Dollar	$8.724	10.456	–	44875

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK: Pvt Advisers 0800 414181 Jersey 01534 71696
Private Clients 0800 414161 00 352 25040420
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

	Selling Price	Yield Gr's	City-Line
A$ Accum	A$18.918	3.60	40907
C$ Accum	C$19.033	2.30	40941
DM Accum	DM38.957	2.10	41320
DFl Accum	Dfl32.152	2.10	40059
ECU Accum	Ecu17.833	3.10	41232
FFr Accum	FFr98.257	2.10	41262
HK$ Accum	HK$125.83	5.20	41318
Lire Accum	L24873	5.80	41388
NZ$ Accum	NZ$42.171	8.80	41544
£ Accum	£13.703	5.80	41546
SFr Accum	SFr29.488	0.10	41550
US$ Accum	$24.413	4.60	41575
Yen Accum	Y2892.7	0.10	41582

Prices for dealing August 29

Jupiter Asset Management (Bermuda) Ltd
PO Box HM 256, Hamilton, Bermuda 001 809 292 2780
Jupiter Tyndall World Umbrella Fund Ltd

	Selling Price	Buying Price	Yield Gr's	City-Line
Eurobond	$16.16	16.97	3.91	45873
Money	$14.50	15.23	2.11	45872
Mortgage	C$24.94	26.19	7.05	45875
North American	$17.50	18.39	0.00	45871
Overseas	$17.22	18.09	0.00	45876
Tiger	$16.51	17.35	0.00	45877
UK Small Cos	£1.43	1.51	0.00	58188

Newport Investment Management
20 Reid St, PO Box HM 3398 Hamilton Bermuda
UK 0171 538 8766 Dealing 01481 707000

	Init Charge	Selling Price	Yield Gr's	City-Line
Npt. Pacific	5	$4.2393	-	45557
Npt Pacific		£2.6136	-	44855
Newport Tiger Fd		$6.2100	-	51397
Newport Tiger Fd		£3.8765	-	50135

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda HM 11441 232 8370

	Selling Price	Yield Gr's	City-Line
Orion Aug 21	$33.27	-	40409

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021
Global Funds

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
Contl Euro Class F	0	DM31.142	31.355	-	45695
Contl Euro Class Acc F	0	DM31.32	31.475	-	45818
Sterling Intl Cap Class F	0	£12.223	12.448	-	45212
Sterling Intl Cap Class Acc F	0	£12.357	12.554	-	45813
Intl Bond Class F	0	$13.216	13.250	-	45720
Intl Bond Class Acc F	0	$14.120	14.156	-	45930
Asian Growth Class F	0	$8.450	8.619	-	45894
Asian Growth Class Acc F	0	$8.474	8.644	-	45948
Japan Class F	0	Y450.234	458.118	-	45578
Japan Class Acc F	0	Y450.234	458.118	-	45811
Canadian Class F	0	C$29.706	30.030	-	45805
Canadian Class Acc F	0	C$29.78	30.092	-	45815
USA Class F	0	$43.710	44.128	-	45828
USA Class Acc F	0	$43.718	44.128	-	45835
Dollar Intl Cap Class F	0	$8.718	8.821	-	45869
Dollar Intl Cap Class Acc F	0	$8.745	8.849	-	45810
UK Equity Class F	0	£7.284	7.394	-	45814
UK Equity Class Acc F	0	£7.374	7.495	-	45828
North American Bond Cl Inc F	0	[illegible]	102.810	-	45788
North American Bond Cl Acc		[illegible]	108.994	-	45865
European Bond Cl Inc F	0	[illegible]	115.473	-	45839
European Bond Cl Acc F	0	[illegible]	120.392	-	45817
Swiss Franc Bond Cl Inc F	0	[illegible]	104.587	-	45785
Swiss Franc Bond Cl Acc F	0	[illegible]	107.175	-	45784
UK Bond Cl Inc F	0	£0.5118	0.5178	5.63	45868
UK Bond Cl Acc F	0	£0.5579	0.5622	0.00	45870
Latin America Inc F	0	$11.910	12.0510	-	-
Latin America Acc F	0	$11.910	12.0510	-	-

Intl Currencies Fd Ltd

	Selling Price	Yield Gr's	City-Line
US$	$45.54	4.85	45707
Canadian $	C$67.57	2.53	45708
£ Sterling	£33.33	6.28	45709
D-Mark	DM98.67	2.27	45710
Swiss Francs	SFr65.82	0.39	45711
Japanese Yen	Y9549	0.33	45712
Managed Fund	$44.18	-	45713

Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
GlobalSar Dollar Accum	5	$39.11	41.40	-	44985
GlobalSar Dollar Dist	5	$35.05	37.10	2.20	44970
GlobalSar Stg Dist	5	£22.17	23.50	2.73	45537
GlobalSar Stg Accum	5	£27.29	28.93	-	44986
Equisar Inc F	5	£13.150	14.000	-	45894
Equisar Acc F	5	£13.180	14.040	-	45779

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710651

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
European Bd $	3	$9.458	10.0332	5.70	44471
Approx Stg Escrow	0	£6.4987	6.7232	-	47697
Offshore Cash		£1.0044871		6.72	-

GUERNSEY (REGULATED)(**)

BT Fund Managers (Ireland) Ltd (u)
80 Harcourt Street, Dublin 2 00 3531 7902400
BT Global Assets Fund

	Selling Price	Buying Price	Yield Gr's	City-Line
Global High Yield Inc	$13.80	14.53	-	48101
Global High Yield Acc	$14.61	15.38	-	49102
Latin American Equity Inc	$15.99	16.83	-	49103
Latin American Equity Acc	$15.99	16.83	-	48094
Global Bond Inc	$10.79	11.08	-	52180
Global Bond Acc	$11.32	11.57	5.18	52181
Managed Dollar Inv		$1.00	5.69	52183
Managed Dollar Adv		$1.00	4.56	52184
Managed Dollar Inst		$1.00	-	52239
Enhanced Managed Dollar	$1132.58		-	58230
Enhanced Managed Dollar Advisory	$1132.66		-	
US Smaller Cos Inc H	$16.04	16.88	-	45622
US Smaller Cos Acc H	$16.04	16.88	-	

BT International Investment Series

Bank of Cyprus Group
1 Harbourmaster Place, IFSC Dublin 1

Baring International Fund Managers (Ireland) Ltd

Christows Investments Plc
1a Bow Lane, Cheapside, EC4M 9EE

Coutts Fund Managers Limited
Georges Quay, Dublin 2, Ireland
Coutts Global Fund

Lazard Investment Funds Ltd - Contd.
Lazard Global Liquidity Fund Plc

	Init Charge	Selling Price	Yield Gr's	City-Line
Lazard Sterling Liquidity F	3	£1.0171	4.80	45367
Lazard Dollar Liquidity F	3	$1.0105	4.14	45368
Lazard Deutschemark Liquidity F	3	DM0.9886	2.12	45370
Lazard French Franc Liquidity F	3	FFr3.8909	2.45	45372
Lazard Swiss Franc F	3	SFr0.9777	0.48	45371
Lazard Swedish Krona Liquidity F	3	SKr9.7851	3.76	-
Lazard Managed Dollar Liquidity F	3	$0.9429	-	45375

Morgan Grenfell Investment Funds Ltd (u)
20 Finsbury Circus, London EC2M 1UT 0171 545 7474

Asian Diversified Equity Fund Plc

Asian Emerging Markets Fund Plc

Asian Gateway Fund Plc

Asian Growth Fund Plc

Asset Korea Fund

Asset Universal Ltd

Haussmann International Fund Plc (u)

Investec Asset Management (Ireland) Ltd

Yuki Korea Fund

Yuki Taiwan Fund

ISLE OF MAN (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ABSA Offshore Select Funds Limited

Bank of Scotland Fund Managers (Jersey) Ltd

Barclays Global Investors Jersey Ltd

Singer & Friedlander Inv Funds Ltd (u)
21 New Street, Bishopsgate, EC2M 4HR 0171-626 5226

	Init Charge	Selling Price	Yield Gr's	City-Line
UK Equity Income	4½	103.13	4.60	58205
UK Equity Income	4½	DM3.04	4.60	58211
UK Equity Income	4½	$1.68	4.60	58214
UK Equity Income	4½	Pta256.8	4.60	58209
UK Equity Income	4½	FFr10.23	4.60	58217
Sterling Reserve	0	101.86	5.02	58205
Deutschemark Reserve	0	102.95	3.84	45554
Dollar Reserve	0		-	45559
Corporate Income	4½	98.95	5.61	58204
Corporate Income	4½	DM2.9	5.61	58210
Corporate Income	4½	$1.61	5.61	58213

Daiwa Europe Fund Mgrs Ireland Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Daiwa Alternative Inv Plc	$1134.35		-	-
Daiwa Mega	$1004.37		-	-
Daiwa Gallia MMF				
AUS Portfolio	A$0.01		-	48663
US$ Portfolio	$0.01		-	48664

Dragon Korea Fund Plc

	Selling Price	Yield Gross	City-Line
NAV	$5.663	-	55007

Dresdner Kleinwort Benson Int Mgt Services Ltd
Al Manzam Commodity Fund Plc

	Selling Price	Yield Gross	City-Line
NAV Jun 30	$101.44	-	47225

IRELAND (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

Offshore Funds and Insurances

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BAII Asset Management Ltd

GT Global

Nikko Global Umbrella Fund

ACM Offshore Funds - Contd.

Fischer Francis Trees & Watts

Monterey Trust SICAV

VLS Finance Ltd India

Hansard Europe Limited - Contd.

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

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Royal Skandia Life Assurance Ltd (z)
Skandia Hse, Finch Rd, Douglas, IoM 01624 611611

	Selling Price	Buying Price	Yield Gross	City-Line
£ Cautious Baring Mgd	£1.750	1.881	-	47386
£ Balanced Baring Mgd	£1.882	2.023	-	47390
£ Aggressive Baring Mgd	£1.838	1.978	-	47392
£ Cautious Guinness Flight	£1.528	1.642	-	44484
£ Balanced Gartmore	£1.774	1.907	-	44485
£ Balanced Fidelity	£2.114	2.273	-	43765
£ Managed	£1.538	1.654	-	43791
£ Balanced INVESCO	£2.244	2.412	-	47728
£ Aggressive Perpetual	£2.331	2.506	-	47729
£ Deposit	£1.778	1.911	-	47400
£ Building Society	£1.836	1.974	-	47404
$ Cautious Baring Mgd	$1.578	1.697	-	47394
$ Balanced Baring Mgd	$1.870	2.010	-	47395
$ Aggressive Baring Mgd	$1.841	1.979	-	47396
$ Cautious Guinness Flight	$1.342	1.443	-	44493
$ Balanced Gartmore	$1.680	1.807	-	44494
$ Balanced Fidelity	$1.978	2.127	-	43748
$ Balanced INVESCO	$1.642	1.765	-	47730
$ Aggressive Perpetual	$1.964	2.111	-	47731
$ Deposit	$1.309	1.407	-	47402
ECU Cautious Guinness Flight	Ecu1.652	1.776	-	44496
ECU Balanced Gartmore	Ecu1.864	2.004	-	44497
ECU Balanced Sk SICAV	Ecu1.602	1.722	-	43751
ECU Balanced INVESCO	Ecu1.601	1.721	-	47732
S.A.M. 1 AuS	A$2.240	2.300	-	47405
S.A.M. 2 AusS	A$1.225	1.288	-	50246
S.A.M. 3	£2.188	2.290	-	47407
S.A.M. 4	£1.810	1.905	-	47408
S.A.M. 5 Yen	[illegible]	[illegible]	-	50247
S.A.M. 6 Yen	[illegible]	1205.507	-	50248
£ Highwalk	£2.770	2.770	-	50249
OFS Sterling	£1.141	1.226	-	45495
OFS Dollar	$1.335	1.435	-	45494
UK Expats Worldwide Mgd	£1.687	1.813	-	44498
Argent	£2.346	2.521	-	49513
Richmond Navigator	£1.200	1.290	-	51585
$ GM Bullet	$1.315	1.413	-	52372
£ GM Bullet	£1.250	1.344	-	52373
Jardine Fleming Pacific Securities £	£1.061	1.140	-	53200
Jardine Fleming Pacific Securities £	$1.661	1.785	-	49521
Schroder Managed Liquidity $	$1.510	1.623	-	55249
Schroder Managed Liquidity £	£1.521	1.636	-	55250
Global Portfolio	£1.097	1.179	-	58050
Moyado DM Velocity £	£0.864	0.929	-	45184
Moyado DM Velocity US$	$0.871	0.936	-	45173
CFS Dollar Balanced	$1.052	1.131	-	-
Scandia Intl Managed	$1.000	1.075	-	45097
Pinnacle Sterling	£0.997	1.072	-	58078
Pinnacle US Dollar	$1.163	1.250	-	58077
Consort HTR International	$1.044	1.122	-	45230

Guardian Global Asset Management Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Growth NAV Jul 31	$133.2224		-	55393
Protector NAV Jul 31	$124.5364		-	55394
Geared NAV Jul 31	$141.3094		-	55395

HSBC Asset Management (Bahamas) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Japanese Eqty Tactical	$7.07	7.49	-	42487
Asian Countries Tact	$19.17	20.30	-	42480
European Countries Tact	$16.25	17.22	-	42481
Managed	HK$18.23	19.29	-	43805
Private Capital Tst	$31.55	33.29	-	46487
China Fund Aug 22	$2.79		-	49862

Hambro-Spinner Renaissance Fund Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Common Shares Jul 31	$25.792		-	-

Key Asset Management Inc

	Selling Price	Buying Price	Yield Gross	City-Line
Key Hedge Aug 22	$216.07		-	52766
Key Global Hedge Aug 22	$346.31		-	52765
Key Asia Aug 22	$125.22		-	55471
Key MGM Emerging Value Aug 22	$214.98		-	45713
Key Longwood Aug 22	$138.82		-	47429

KI Asia Pacific Fund Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
KI Asia Pacific	$15.17	15.30	-	51889

King Street Capital Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
NAV Jul 31	$107.71		-	-

Hamon Investment Group

	Selling Price	Buying Price	Yield Gross	City-Line
Guaranteed International	13.52	13.70	-	58553
Selected Asian Ptfolio	$36.77	38.78	-	47943

Kingate Global Fund Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Class A NAV Jul 31	$105.38		-	54121
Class B NAV (Estimated)	$143.74		-	58567
Class DM NAV (Estimated)	DM128.87		-	47351

Korea Intl Investment Fund

	Selling Price	Buying Price	Yield Gross	City-Line
NAV Aug 25	$153.50		-	50322

Korea Intl Investment Fund Ltd (II)

	Selling Price	Buying Price	Yield Gross	City-Line
NAV Aug 25	$92.78		-	55412

OTHER OFFSHORE FUNDS

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

INDICES

	Aug 29	Aug 28	Aug 27	1997 High	1997 Low
Argentina					
General(29/12/77)	24028.31	24815.81	24880.90	24917.86 5/8	18237.37 2/1
Australia					
All Ordinaries(1/1/80)	2583.8	2631.3	2626.5	2745.80 2/7	2362.28 1/4
All Mining(1/1/80)	806.5	824.2	831.4	987.10 24/2	806.50 29/8
Austria					
Credit Aktien(30/12/84)	436.70	441.08	445.38	468.82 1/8	374.46 9/1
Traded Index(2/1/91)	1335.90	1353.88	1354.65	1488.49 31/7	1139.22 9/1
Belgium					
BEL20(1/1/91)	2318.81	2315.24	2341.02	2821.90 28/7	1871.05 2/1
Brazil					
Bovespa(29/12/83)	10809.0	11267.0	11718.0	13617.00 8/7	6865.50 2/1
Canada					
Metals Minls♦(1975)	4921.46	4982.15	5057.39	6001.75 10/3	4921.46 29/8
Composite♦(1975)	6611.80	6633.00	6674.20	6845.10 7/8	5879.30 14/4
PortfolioSS(4/1/83)	3267.59	3306.01	3336.89	3494.53 7/8	2846.02 11/4
Chile					
IGPA Gen♥(31/12/80)	5478.89	5499.08	5535.49	5869.71 4/7	4912.42 2/1
Denmark					
CopenhagenSE(3/1/83)	608.90	623.15	626.07	658.29 17/7	470.14 2/1
Finland					
HEX General(28/12/90)	3328.45	3381.23	3403.11	3885.86 7/8	2468.28 2/1
France					
SBF 250(31/12/90)	1835.83	1864.52	1887.38	2083.43 31/7	1533.19 2/1
CAC 40(31/12/87)	2770.49	2828.41	2871.70	3075.67 31/7	2256.97 2/1
Germany					
FAZ Aktien(31/12/58)	1303.66	1345.83	1330.49	1481.44 31/7	988.21 2/1
Commerzbank(1/12/53)	3807.8	3930.9	3880.0	4336.70 31/7	2876.90 2/1
DAX(30/12/87)	3806.03	3973.65	3895.66	4438.89 31/7	2848.77 2/1
Greece					
Athens SE(31/12/80)	1517.82	1544.39	1541.99	1727.78 23/5	884.54 2/1
Hong Kong					
Hang Seng(31/7/64)	14135.25	14876.10	15533.95	16673.27 7/8	12055.17 3/4
India					
BSE Sens.(1979)	3878.08	3963.15	4097.58	4548.02 5/8	3225.24 2/1
Indonesia					
Jakarta Comp.(10/8/82)	493.96	530.37	555.46	740.83 8/7	493.96 29/8
Ireland					
ISEQ Overall(4/1/88)	3570.32	3601.65†	3590.87	3725.98 8/8	2725.07 2/1
Italy					
Banca Comm Ital(1972)	877.20	883.91	888.64	959.18 23/7	642.55 2/1
MIB General(2/1/97)	1319.0	1329.0	1338.0	1442.00 23/7	981.00 2/1
Japan					
Nikkei 225(16/5/49)	18229.42	18451.45	18441.94	20681.07 16/6	17303.65 10/1
Nikkei 300(1/10/82)	278.83	280.97	281.64	303.71 26/7	251.84 27/1
Topix(4/1/68)	1427.89	1438.10	1442.78	1580.28 26/6	1320.82 10/4
2nd Section(4/1/68)	1595.27	1614.61	1622.65	1848.25 30/6	1518.50 15/4
Malaysia					
KLSE Comp.(4/4/86)	804.40	812.18	847.92	1271.57 25/2	804.40 29/8
Mexico					
IPC(Nov 1978)	(c)	4789.38	4912.88	5212.89 8/8	3359.46 2/1
Netherland					
CBS TtlRtnGen(End 83)	1030.6	1040.2	1070.6	1184.80 7/8	730.80 2/1
CBS All Shr(End 83)	594.4	600.0	617.5	684.40 7/8	429.00 2/1
New Zealand					
Cap. 40(1/7/86)	2456.21	2467.89	2473.53	2575.52 30/7	2207.48 1/4
Norway					
Oslo SE(Ind)(2/1/83)	2102.30	2087.98	2081.14	2217.38 7/8	1639.03 2/1
Philippines					
Manila Comp(2/1/85)	2021.52	2071.97	2284.03	3447.86 3/2	2021.52 29/8
Portugal					
BVL 30(4/1/93)	3211.48	3339.01	3449.85	3803.95 7/8	2165.57 2/1
Singapore					
SES All-S'pore(2/4/75)	453.57	460.16	477.71	573.03 17/2	453.57 29/8
South Africa					
JSE Gold(28/9/78)	1016.4♥	1034.8	1030.7	1598.10 27/2	903.90 7/7
JSE Indl(28/9/78)	8981.3♥	9076.5	9105.2	9314.20 7/8	7859.50 2/1
South Korea					
KoreaCmpEx"(4/1/80)	704.27	718.86	730.28	792.29 17/6	611.05 7/1
Spain					
Madrid SE(30/12/85)	574.82	576.42	578.56	628.15 7/7	434.54 2/1
Sweden					
AffarsvaldsGen(1/3/37)	3040.4	3067.0	3099.8	3315.80 7/8	2378.30 2/1
Switzerland					
SMI Index(1/7/88)	5216.7	5217.3	5409.6	6012.80 8/7	3822.90 7/1
SPI General(1/6/87)	3378.83	3385.53	3489.29	3798.79 8/7	2506.22 6/1
Taiwan					
WeightedPr."(30/6/66)	(c)	9827.49	10050.67	10116.84 26/8	6844.75 6/1
Thailand					
Bangkok SET(30/4/75)	502.23	511.76	523.74	858.97 22/1	454.77 19/6
Turkey					
IMKB Nat. 100(1986)	1980.00	1973.00	1925.00	2050.00 7/8	986.00 2/1
WORLD					
MS Capital Intl(1/1/70)	913.9"	923.3	932.3	981.80 31/7	794.50 14/4
CROSS-BORDER					
Eurotrack 100(26/10/90)	2518.21	2561.29	2573.20	2794.80 7/8	1893.40 2/1
FTSE E 100(26/6/90)	3135.34	2149.58	2184.76	3135.34 29/8	1582.89 2/1
HSBC-JC Drgn(31/12/88)	(a)	376.79	398.03	434.83 6/8	376.79 28/8
ING Bngs Emrg(7/1/92)	174.16	177.79	179.85	196.81 9/7	159.74 3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (MATIF/MONEP) (200 x Index)							
Aug	2787.0	2789.0	−35.0	2805.0	2778.0	27,568	12,489
Sep	2806.5	2771.0	−39.5	2813.0	2788.0	33,752	34,300
DAX							
Sep	3883.0	3925.0	+39.0	3930.0	3855.5	28,069	87,509
Dec	3915.5	3957.0	+39.5	3960.5	3893.0	148	5,789
OMX							
Sep	2438.00	2420.00	−30.00	2449.00	2418.00	7,021	20,123
Oct	2450.75	2430.00	−29.75	2453.00	2430.00	107	609
SOFFEX							
Sep	5198.5	5235.0	+20.0	5245.0	5135.0	7,717	28,350
Oct	5207.0	5241.0	−203.0	5207.0	5207.0	6	2,808

" Sat Aug 23: Taiwan Weighted Price 9985.42; Korea Comp Ex 742.58. Base values of all Indices are 100 except Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall; Toronto Comp./Met & Mins, DAX – all 1,000; SMI – 1500; JSE Gold – 255.7; JSE 20 Ind – 264.3; IMKB Nat 100 – 1; NYSE All Common – 50; Stand & Poor's – 10; Amex Comp – 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Aug 29 - 3919.79 +22.36

† Correction. " Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are … stock; whereas the actual day's highs and lows represent … figures in brackets are previous day's. ♥ Subject to official …

US INDICES

Dow Jones	Aug 29	Aug 28	Aug 27	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7622.42	7694.43	7787.33	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	*103.86*	*103.77*	*103.73*	*104.70 (31/7)*	*101.09 (14/4)*	*104.70 (31/7/97)*	*54.99 (1/10/81)*
Transport	2870.17	2876.88	2901.83	3009.25 (6/8)	2222.07 (2/1)	3009.25 (6/8/97)	13.23 (8/7/32)
Utilities	231.77	231.98	233.35	240.85 (22/1)	209.47 (25/4)	258.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7728.73 (7831.70) Low 7580.85 (7634.50) (Theoretical♠)
Day's high 7710.45 (7812.42) Low 7606.86 (7658.19) (Actual♠)

Standard and Poors	Aug 29	Aug 28	Aug 27	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	899.48	903.67	913.70	960.32 (6/8)	737.01 (2/1)	960.32 (6/8/97)	4.40 (1/6/32)
Industrials♥	1058.68	1062.67	1075.39	1130.76 (6/8)	865.42 (11/4)	1130.76 (6/8/97)	3.52 (30/6/32)
Financial	102.76	103.71	104.57	111.88 (31/7)	80.75 (2/1)	111.88 (31/7/97)	7.13 (4/9/74)
NYSE Comp.	470.48	472.36	476.05	497.00 (6/8)	389.47 (11/4)	497.00 (6/8/97)	4.64 (25/4/42)
Amex Comp.	650.16	650.69	651.12	654.06 (6/8)	541.20 (28/4)	654.06 (6/8/97)	524.20 (16/7/96)
NASDAQ Comp	1587.24	1581.31	1595.54	1639.44 (6/8)	1201.00 (2/4)	1639.44 (6/8/97)	54.87 (3/10/74)

■ RATIOS

	Aug 22	Aug 15	Aug 8	Year ago
Dow Jones Ind. Div. Yield	1.68	1.69	1.61	2.21
	Aug 27	**Aug 20**	**Aug 13**	**Year ago**
S & P Ind. Div. yield	1.54	1.50	1.53	2.02
S & P Ind. P/E ratio	24.76	25.45†	25.27	21.77

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Compaq	7,365,400	65½	+1⅜
Nationsbank	7,255,300	59¾	−3¾
CocaCola	4,885,600	57⅛	−⅞
Gen Elec	4,847,400	62⅛	+⅛
Barnett Bks	4,682,000	67⅞	+13½
Telefonos	4,641,000	45¾	−3
Ethyl Corp	4,058,200	9	...
Tel Brasil	3,825,700	117¼	−7⅜
IBM	3,753,000	100⅞	−⅛
McDonalds	3,404,400	47½	+½

■ TRADING ACTIVITY

● Volume (million)

	Aug 29	Aug 28	Aug 27
New York SE	406.975	486.217	492.093
Amex	16.761	20.871	26.515
NASDAQ	(u)	674.122	644.393
NYSE			
Issues Traded	3,357	3,398	3,362
Rises	1,313	1,318	1,636
Falls	1,496	1,480	1,171
Unchanged	558	538	555
New Highs	156	158	150
New Lows	35	24	21

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Sep	899.90	903.10	+3.30	909.75	896.00	72,921	177,956
Dec	911.00	912.80	+3.35	919.50	905.60	6,827	24,434
■ Nikkei 225							
Sep	18160.0	18280.0	−220.0	18280.0	17990.0	26,492	158,581
Dec	18150.0	18250.0	−210.0	18250.0	18010.0	5,273	50,749

Open interest figures for previous day.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, August 29, 1997.

	Stocks Traded	Closing Prices	Change on day
NEC Corp	15.6m	1350	-80
Fujitsu Ltd	13.5m	1440	-40
Sakura Bank	8.1m	710	-23
Toshiba Corp	8.0m	666	-13
Hitachi	5.1m	1110	-30
Nippon Steel	3.9m	306	+6
Mitsubishi Hvy	3.7m	799	-6
LTCB	3.6m	597	-7
Sumitomo Bank	3.6m	1780	-20
Sharp Corp	3.6m	1210	-30

4 pm close August 29

NEW YORK STOCK EXCHANGE PRICES

- A -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
38 7/16	24 1/4	AAR x	0.48	1.4	26	228	33 5/8	33 1/8	33 7/16	-3/16
53 3/4	33 1/8	AMP x	1.04	2.1	41	1634	50 3/4	50	50	-3/8
110 3/16	78 1/4	AMR			7	3665	102 5/8	100 3/4	100 3/4	-2
37 5/8	29 1/2	ASA	1.20	4.0	19	438	30 1/8	29 13/16	30 1/16	+1/16
60 15/16	49 3/4	AbbtL	1.08	1.8	24	7704	60 15/16	59 11/16	59 13/16	+1/16
20 1/2	14 1/8	AbitibI	0.40	2.3	9	652	17 11/16	17 1/2	17 5/8	-1/4
25	17 3/8	ABM Ind	0.40	1.6	22	36	24 9/16	24 1/2	24 9/16	
24 1/8	17 3/4	Acptnceln			11	278	22 5/16	21 7/8	22 1/4	+1/4
87 1/4	56 1/8	ACE Ltd	0.89	1.1	11	352	83 1/2	82 9/16	83 1/8	-9/16
10 3/4	10	ACM Gvt In	0.90	8.4	11	281	10 11/16	10 9/16	10 11/16	+1/8
8	7	ACM GvOpp	0.63	8.7		102	7 3/4	7 11/16	7 3/4	+1/16
10 5/16	9 1/4	ACM Man	0.90	9.0		145	10 1/16	10	10	-1/16
10 3/8	6 1/8	Acme Elect				z0	6 3/8	6 3/8	6 3/8	
20	13	Acme Mills				262	14 1/8	13 5/8	13 15/16	+3/16
22 7/8	14	ACNielsen			41	481	22 13/16	21 1/2	22 3/4	+1/8
29 3/4	19 1/8	Acuson				298	27 7/16	26 7/8	26 13/16	-3/8
24 3/8	19 3/8	Adams Expr x	0.55	2.3	1	191	23 5/8	23 9/16	23 5/8	
48 1/2	24 7/8	AdvMic				11702	38	37 1/8	37 1/4	-1 1/8
27 1/2	10 3/8	Advest Grp	0.12	0.5	16	175	23 1/8	22 9/16	22 3/4	
18 13/16	11 3/8	Advo Inc			17	47	18 7/16	18 3/8	18 7/16	
78 7/8	61 1/8	Aegon x	1.31	1.8	20	567	74 7/8	74	74 1/4	-1 1/2
9 1/4	3 1/8	Aerfix				686	8 5/16	7 3/4	8 3/16	+3/16
57 1/2	33	Aero-Y x	0.80	1.4	19	381	56 1/8	55 5/8	55 7/8	-1/4
41 3/8	24	AES Corp				z0	38 1/4	37 3/4	38 1/8	+1/8
118 1/8	73	Aetna	0.80	0.8	30	3584	97 1/4	95 7/16	95 7/16	-5/8
32	19 1/2	AffCom			25	180	26 13/16	26 1/4	26 1/4	-11/16

Continued on next page

NYSE PRICES

4 pm close August 29

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

¶ Dealings suspended.

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AMEX PRICES

4 pm close August 29

NASDAQ NATIONAL MARKET

4 pm close August 29

Stock						
Kelly Sv x	0.86 16 305	33½	32	33½	+¼	
Kimball	1.16 16 403	u45¾	44½	45	+1/16	
KLA-Tn	57 11282	72⅛	70	70⅞	-1	
Koll A	20	⅛	⅛	⅛		
Komag♣	17 8491	17	17¼	17	+	
Kulicke♣	9891	47⅝	45⅝	45	-	

- L -

Stock					
Labone x	0.72 44 86	16⅞	16	16⅜	+¼
Ladd Furn	21 49	15⅝	15⅜	15⅝	+⅛
Lam Rsch	16031	58	55¾	58½	-1½
Lancaster	0.76 17 1100	52¼	51½	51	-
Lance ♣	0.96 23 611	21⅜	21⅛	21⅜	+¼

Stock					
Qualcomm	47 10865	48¾	45⅞	48¾	+½
Qual Food	23 20	41⅜	41⅜	41⅜	-⅛
Quantum	18 13768	35⅝	34⅞	35	-
Quicksilv	20 117	34	33	34	+
Quintiles	177 706	80⅛	78	78	-1⅝

- R -

Stock					
Rainbow♣	13 118	18⅜	17⅞	17⅞	-⅛
Rallys	91	2⅛	1	2⅛	+⅛
Raymond	0.25 16 20	32⅞	32⅞	32⅞	
RCSB Fin	0.60 17 659	49½	47¾	48⅞	+1⅛
Read-Rite	28 14325	28¾	27¾	28	+
Recoton	20 193	13⅞	13⅝	13¾	-⅛

Stock					
Wiredon	57323	30	28¾	28	-⅛
Wrthlnds	0.52 19 2257	18	18½	18	-
WPP ADR	0.29 21 2653	46¼	45¼	46	+⅞
Wyman-Gdn	0.40 35 2586	27½	27¼	27	-⅛

- X - Y - Z -

Stock					
Xilinx♣	33 14380	48	47⅜	47½	-
Xircom	23 2084	14⅜	13⅞	14⅛	
Xoma Corp	4039	6	6⅛	6	-
Yahoo	5567	u59⅞	56¼	59½	+3⅜
Yellow	7727	u31⅝	29¾	31⅜	+1
York Rsch	23 3844	7⅞	7¼	7⅞	+⅝
ZionsUtah	0.48 21 1104	u38	37	38¾	+1⅝

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3		15000	8.25	2.875	Lernout & Hauspie	US$26.5	-0.125	200	34	25
Artwork Systems	US$8	-0.125	19450	11.125	8	Mercer Int'l	US$10.625		0	11.75	8.125
Chemunex	FFr10		0	18	10	NTL	US$20.875		0	25.125	20.5
Dobolnet Holdings	GBP6.25	-0.15	12000	7.15	4.5	PixTech	US$3.625		0	8.125	3.375
Dr Solomon's ADS	US$24.875	+0.5	4000	28.375	18.875	Schoeller-Bleckmann	Sch1682	+134	12085	1682	900
EDAP TMS	US$7		0	8.125	6.9375	Topcall Int'l	Sch3225	+20	1580	3363	3065
Esprit Telecom ADS	US$5.875		0	12.25	5.375	Turbodyne Technol.	US$5.8	-0.23	10000	6.25	3.73
Innogenetics	US$10	-0.25	19030	12.75	10						

Prices for 29/8/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65-20) and in London (Tel 44-171 / 489 9980).

FT GUIDE TO THE WEEK

MONDAY 1

The state of Mexico

Ernesto Zedillo, Mexico's president, will deliver his State of the Union address today. The speech, delivered on the first day of sessions of the country's new Congress, has caused unprecedented controversy, since opposition legislators have demanded the right to reply in Mr Zedillo's presence. In the speech, Mr Zedillo is expected to emphasise both Mexico's economic recovery and its transition to greater democracy. The session of Congress that begins on September 1 is expected to be dominated by economic issues, principally the country's budget deficit and a possible reduction in value added tax.

Central American tour

Lee Teng-hui, Taiwan's president, this week starts a rare overseas trip to bolster ties with Taipei's diplomatic allies in central America and the Caribbean. He is scheduled to attend a global conference from September 7-10 on the expansion and administration of the Panama Canal, which the US will hand over to Panamanian authorities in 2000. The trip has been condemned by China, which regards Taiwan as a rebel province. Beijing has called on Panama to revoke its invitation to Mr Lee, who Chinese authorities allege is secretly fomenting Taiwanese independence, a claim Mr Lee denies. The Taiwanese president's trip will also include a stop in Paraguay.

Sleep in peace

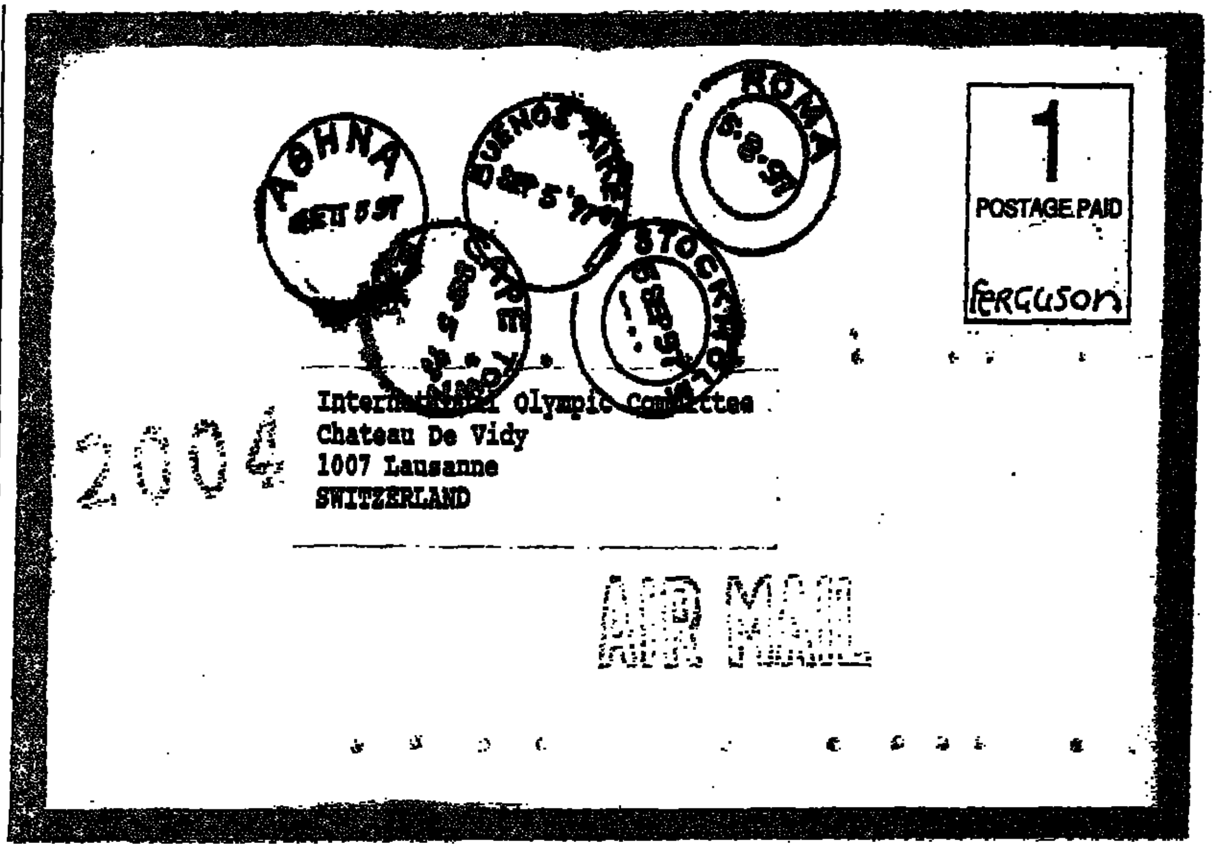
Snoring can damage relationships – and there are about 10m snorers in the UK, many of whom are probably doing just that. This week has been proclaimed "National No Snoring Week" in the UK by London's Harley Medical Group. The aim is to highlight the potentially devastating effects of snoring on relationships and to offer snorers and their long-suffering partners a solution.

A show of arms

George Robertson, UK defence secretary, is opening a defence equipment exhibition at Farnborough airfield, Hampshire, England (to September 5). The exhibition, organised by the Defence Export Services Organisation of the UK Ministry of Defence, has as its theme services logistics and equipment support. There will be a maritime display at Portsmouth Naval Dockyard. More than 200 exhibitors have signed up to appear and delegations from 57 countries are due to attend.

Danes in UN talks

Kofi Annan, the UN secretary general, arrives in Copenhagen for talks with Danish ministers on UN reform. He will also preside over the establishment of a brigade staff for the multinational UN Stand-by Forces High Readiness Brigade (Shirbrig), to which troops and equipment will be supplied by the Nordic countries, Canada, Austria, Poland, the Czech Republic and Ireland. The force is due to be ready for rapid deployment for UN peace-keeping operations by 1999.



The International Olympic Committee will announce on Friday which of the five contenders has won the race to host the 2004 games

Chile-Japan meeting

Eduardo Frei Ruiz-Tagle, the Chilean president, arrives in Japan to hold talks with Ryutaro Hashimoto, Japan's prime minister, and leading politicians and industrialists. The talks will focus on bilateral relations and Japan's recent efforts to expand relations with South American countries. Japanese companies have invested heavily in Chilean copper facilities, and Chilean wine sales to Japan have surged in the past two years.

Landmine conference

The conference on an international treaty for the banning of anti-personnel mines opens in Oslo (to September 19). More than 100 countries engaged in the Canadian-sponsored "Ottawa process" are due to meet to discuss the treaty. Negotiations will centre on transferring political support for a ban into an international legally binding treaty, banning the use, export, production and stockpiling of anti-personnel landmines, to be signed in Ottawa in December. Last month US president Bill Clinton, announcing a significant policy decision, said that he would be sending a delegation to the meeting, where the US will argue strongly for an exception to be made of South Korea.

Public holidays

Labor Day in the US: Canada, Malaysia, Mexico, Slovak Republic.

TUESDAY 2

Sarajevo in focus

The third Sarajevo film festival is due open today (to September 10). The festival will show 65 films from 20 countries and will open with *Perfect Circle*, the first Bosnian film to be made after the recent conflict.

WEDNESDAY 3

Mandela in Switzerland

President Nelson Mandela of South Africa is today due to pay his first official visit to Switzerland, returning home a few hours before the verdict is announced in Lausanne on South Africa's bid to host the Olympics in 2004. Mr Mandela is scheduled to be accompanied by Steve Tshwete, sports minister, and two deputy ministers. He will go to Lausanne on Thursday to meet members of the South African Olympic delegation. The first day of Mr Mandela's visit will focus on the growing trade relationship between the two countries.

Duma returns

The Russian parliament will return from its summer recess. Among other issues it is expected to debate the austere 1998 draft budget, which has already been prepared by the government. Parliamentarians are also expected to debate a new tax code, already approved in the first reading. Officials say the new code is vital to stimulate economic growth.

FT Survey

FT Review of Information Technology.

THURSDAY 4

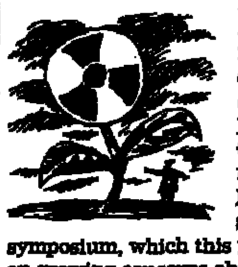
Hashimoto visits China

Ryutaro Hashimoto, Japan's prime minister, is due to arrive in China for a four-day visit as part of a programme planned to commemorate the 25th anniversary of the normalisation of bilateral relations. The visit represents a daunting diplomatic challenge for Mr Hashimoto, coming amid an escalating bilateral row over Japan's plan to boost its regional military profile and actively support US forces in times of emergency. Tokyo has refused to exclude Taiwan, which China regards as a renegade province, from its definition of areas which, in the event of conflict, may require Japanese forces to support US troops. Mr Hashimoto must also contend with China's frequent references to Japan's wartime atrocities in the country.

Discussing derivatives

Executives from international financial institutions and derivatives exchanges are meeting in Bürgenstock, Switzerland, for the 18th annual meeting of derivatives markets participants (to September 7). They will discuss topics such as the purpose of an exchange, product innovation and preparations for European economic and monetary union. Deutsche Terminbörse, the Frankfurt-based futures and options exchange, and the Chicago Board of Trade, the world's largest derivatives market, are expected to announce new products.

Nuclear gathering



About 450 nuclear industry experts from 30 countries are in London for the two-day Uranium Institute annual symposium, which this year will focus on growing concerns about climate change. Nuclear power provides only 17 per cent of the world's electricity. The industry will argue that it has addressed concerns over radioactive waste management and that the environmental benefits of nuclear energy – it creates no carbon dioxide emissions or other "greenhouse" gases – outweigh its impacts.

Anniversary tour

President Jorge Sampaio of Portugal begins a 10-day state visit to Brazil on the occasion of the 175th anniversary of its independence from Portugal. The focus is on cultural co-operation and leading figures from the arts, science and the media will be among his 50-strong delegation. The two countries hope to breathe more life into the Community of Portuguese Language Countries, a commonwealth of seven nations set up a year ago. Portugal, a big consumer of Brazilian soap operas, will also sign an agreement on television production during the visit.

Rockabilia

Christie's in London is out to attract collectors of pop memorabilia with a sale today which includes four Remco inflatable Beatles dolls from the 1960s. They are expected to fetch £200-£400. Madonna's black satin bustier, adorned with sequins and tassels, is expected to go for £4,000-£6,000, while a gold disc presented to Eric Clapton for his song *Layla* is expected to fetch £1,000-£1,500. A menu signed and annotated by the Beatles for the supper following the premier of one of their films is expected to see a price of £2,500-£4,500.

Golf

Canon European Masters at Crans-sur-Sierre, Switzerland (to September 7).

FT Survey

The Business of Travel.

FRIDAY 5

Racing towards 2004

The race to stage the 2004 Olympic Games will end to day in Lausanne, Switzerland, when the International Olympic Committee announces the winning city. Five are still in contention, with Rome the favourite, followed by Athens then Buenos Aires, with Cape Town and Stockholm coming along behind. Sweden's bid to stage the games has been marred by a series of bomb attacks by a little-known group calling itself "We Who Built Sweden". It claims hosting the Olympics would be a waste of time. Greece considers it has increased its chances of winning after successfully hosting the World Athletics Championships in Athens last month. However Theodoros Pangalos, the Greek foreign minister, has accused Primo Nebiolo, world athletics chief, of meddling in politics by disparaging Athens' bid to host the Olympics.

FT Survey

Re-insurance.

WEEKEND 6-7

Public holidays

Saturday: Mauritius, Pakistan

EU farm reform

European Union agriculture ministers begin a three-day informal meeting in Luxembourg on Sunday with farm reform high on the agenda. The European Commission sees change, including reductions in prices, as an essential precursor to union enlargement and the next round of world trade negotiations. Germany and France are expected to be the most resistant to reform of a sector that accounts for nearly half of the union's budget.

UUP consider peace talks

The Ulster Unionist Party Council is due to meet in Belfast on Sunday to discuss its approach to the all-party Anglo-Irish peace talks next month. Last month saw the first ever debate on British television between Northern Ireland unionists and the political wing of the IRA. The UUP had previously argued that to engage with Sinn Fein was legitimising the terrorists. The debate raises the prospect that the UUP may be softening its opposition to the planned all-party talks, which Ms Mo Mowlam, Northern Ireland secretary, wants to launch on September 15.

Sumo summit

The annual 15-day autumn grand sumo tournament opens in Tokyo on Sunday. The event is a highlight in the sumo calendar, and draws tens of thousands of spectators to the palatial Kokugikan stadium in northern Tokyo.

Motor racing

Sunday: Italian Grand Prix, Monza.

Compiled by Bob Vincent. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: New car registration figures in Japan out today will be watched for the continuing effects of the rise in the domestic consumption tax. Weakening income data suggest that a fifth consecutive monthly fall is unavoidable.
Tuesday: The US NAPM survey of purchasing managers is likely to be slightly lower in August than in July, but still with a strong reading.
Wednesday: Another strong signal from the service industries in the UK's Purchasing Managers' Index would confirm the sector's continuing gains over manufacturing.
Thursday: More signs of Japan's weak consumer demand could come in the July real household spending figures. Bad weather during the month and the aftermath of tax rises on retail purchases should depress spending further.
Friday: August's US employment report, including the latest non-farm payroll numbers, could be distorted by the strike by 185,000 UPS workers last month. Otherwise, continuing strong figures for hours and average earnings should be seen.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Aug automobile sales**		-10.1%
Sept 1	Germany	Aug purchasing managers index SA		55.32
	UK	Aug chart instit of purch managers		53.4%
	UK	Aug MO*	0.3%	0.2%
	UK	Aug MO**	5.4%	5.9%
	UK	Jul consumer credit	£1.1bn	1.3bn
Tues	US	Aug Nat Ass of Purchasing Managers	58.0%	58.6%
Sept 2	US	Redbook 30 Aug		0.8%
	US	Aug domestic auto sales	7.0m	7.1m
	US	Aug domestic light truck sales	6.3m	6.3m
Wed	US	Aug CIPS services survey		62.1%
Sept 3	US	Jul leading indicators	+0.2%	UNCH
	US	Jul construction spending	+0.7%	-1.1%
	Germany	Jul ind production pan Germany*	0.8%	2.9%R
	Germany	Jul manufacturing output pan Germany*	1.0%	3.0%R
	Germany	Jul industrial production West*		2.1%R
	Germany	Jul industrial production East*		1.4%R
Thurs	Austral	Jul retail trade	1.5	-1.8%
Sept 4	France	Q2 gross domestic product***	1.1%	0.2%
	Italy	Aug con price index (ex tobacco)*	0.0%	0.0%
	Italy	Aug con price index (ex tobacco)**	1.5%	1.6%
	UK	Aug CBI distributive trades		35%
	Canada	Aug foreign reserves, change CAD$	-C$0.1bn	-C$1.7bn
	Canada	July building permits*	1.6%	5.2%
	Canada	Help wanted index, SA	126	124

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	US	Jul factory orders	-0.2%	1.2%
	US	Jul factory inventories		0.3%
	US	Jul home completions		1.28m
	US	Ireland credit growth	19.5%	20.6%
	US	M1 - Wk ended 25 August	-$500m	$3.2bn
	US	M2 - Wk ended 25 August	+$4.0bn	$15.0bn
	US	M3 - Wk ended 25 August	+$5.3bn	$21.3bn
	Denmark	Jul - unemployment rate	8.0%	8.0%
Fri	UK	Jul housing starts		N/A
Sept 5	Canada	Aug employment, SA	0.3%	0.1%
	Canada	Aug unemployment rate	9.0%	9.0%
	Sweden	Aug unemployment rate	9.1%	9.1%
	US	Aug nonfarm payrolls	+80K	316K
	US	Aug manufacturing payrolls	+10K	-5K
	US	Aug hourly earnings	+0.4%	UNCH
	US	Aug average workweek		34.4
	US	Aug unemployment rate	4.8%	4.8%
	Spain	Aug Bank of Spain reserves$		$+1.6bn
During the week...				
	Argentina	Aug tax revenue		$4.1bn
	Chile	Aug consumer price index*		0.6%
	Chile	Aug consumer price index**		5.6%
	Belgium	Aug unemployment NSA	14.2%	13.7%
	Germany	Jul manufacturing orders pan Germany*	0.8%	2.1%R

*month on month, **year on year ***qtr on qtr †seasonally adjusted. *Statistics, Standard and Poor's MMS.*

MONDAY PRIZE CROSSWORD

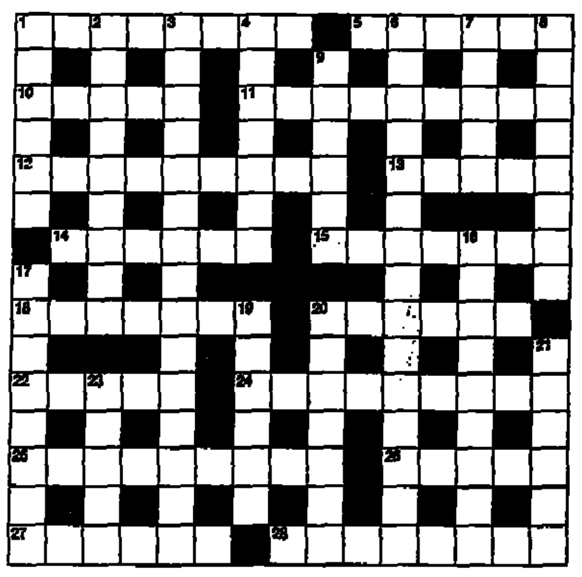
No.9,468 Set by DANTE

ACROSS

1 Thumbs up for it (8)
5 Gaoled drunken ancient (3-3)
10 Fiddle for a dance (5)
11 Master of the Rolls? (9)
12 Hunt me one out among the dishes on offer (2,3,4)
13 Imagine being decorated (5)
14 Sally, the lab assistant (6)
15 Company tax that is adjusted for imported objects (7)
18 Its root goes into a stew (7)
20 Physical exercises I put off when on board (3-3)
22 Ventured again to take father out (5)
24 Special outfit for a round-the-world trip? (5,4)
25 Performed a crime perhaps – sent to prison (9)
26 It may be a soap works (5)
27 Somewhat sooner (6)
28 End with Edward being confined to a small room (8)

DOWN

1 His work is bound to receive public attention (6)
2 Quite vain, to be blunt (9)
3 Place to make one's name as a contractor (2,3,6,4)
4 Article on foreign currency includes one that's out-of-date (7)
6 Tribute provided by the gallery for inborn talent? (4,4,3,4)
7 Possibly Indian form of canoe (5)
8 Time for a three-year-old race (5,3)
9 He failed to turn the tide (6)
16 Unwise to give child naughty book (9)
17 Director has the staff dressed in purple – royalty coming (6)
19 Throws stones in onslaughts (6)
20 It can break rising young men (7)
21 Bear right to enter London thoroughfare (6)
23 Relax the terms of reference (5)



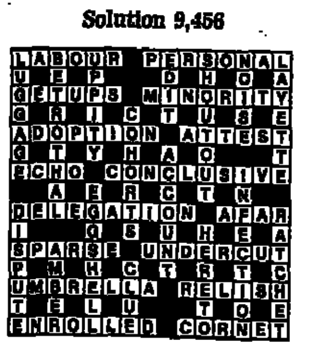
WINNERS 9,456: Mrs W. Whalley, East Grinstead, West Sussex; J.D. Little, Stoke Bishop, Bristol; M.T. Wells, Greenwich, Connecticut, USA; R.L. Williams, London N6.

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday September 11, marked Monday Crossword 9,468 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday September 15. Please allow 28 days for delivery of prizes.

Name...

Address...

Solution 9,456



JOTTER PAD